



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

December 04, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Cornerstone Bank & Trust, National Association
Charter Number 14347**

**600 North Main Street, Box 270
Carrollton, IL 62016**

**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.

All lending performance components meet the standards for satisfactory performance. The major factors that support this rating are:

- The bank's lending reflects reasonable dispersion among borrowers of different income levels and an adequate dispersion among businesses and farms of different sizes given the demographics, economic factors, and legal impediments faced by the bank.
- Loans are reasonably distributed by geography classification.
- The level of lending is reasonable. The bank's average loan-to-deposit ratio is 83% and compares well to similarly situated area banks.
- A majority of the bank's loans extended during this evaluation period were originated within the bank's assessment areas (AA).

DESCRIPTION OF INSTITUTION

Cornerstone Bank & Trust (CB&T) is wholly owned by Carlinville National Bankshares, a multi-bank holding company located in Carlinville, Illinois. During the evaluation period, however,

M & L Holding Company, a multi-bank holding company headquartered in Branson, Missouri, owned the bank. Carlinville National Bankshares purchased CB&T effective October 17, 2003. As of December 31, 2002, CB&T had total assets of \$90 million, net loans of \$68 million, total deposits of \$80 million, and total risk based capital of \$7.3 million. CB&T has three offices. The main office is located in Carrollton, Illinois, which is in Greene County. The bank also has a full service branch in Jerseyville and one in Alton, Illinois. The Alton facility opened in October 1999 and is located in Madison County. The Jerseyville branch opened prior to this evaluation period and is located in Jersey County. CB&T has three depository ATMs, one in each of the facilities. No branches were closed during the evaluation period.

CB&T offers traditional bank services and loan products normally associated with a community bank. As of December 31, 2002, net loans totaled \$68 million, representing 76% of total assets. The loan portfolio consisted of 37% commercial real estate/business, 31% residential real estate, 27% farm real estate/agriculture production, and 5% consumer loans.

During the evaluation period, the bank's ability to perform under the Community Reinvestment Act (CRA) may have been impeded by a Formal Agreement signed on October 2, 2001 with the Comptroller of the Currency to improve capital, earnings, audit and interest rate risk. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community.

To further our understanding of the community's credit needs, we made a community contact with a local businessperson knowledgeable about most of the areas served by the bank. Our contact did not identify any unmet credit needs and felt that local banks are involved in the community and are adequately meeting its credit needs.

CB&T's last CRA evaluation was March 30, 1998, and we rated the bank Satisfactory.

DESCRIPTION OF ASSESSMENT AREAS

CB&T has two designated AA: Jersey County and portions of Madison County and Greene County. Both AAs are contiguous areas, meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

Jersey and Portions of Madison County Assessment Area

Management designated Jersey County and portions of Madison County as an AA (MSA AA). These counties are part of the St. Louis Metropolitan Statistical Area (MSA). The AA is comprised of 5 census tracts (CTs) in Jersey County, 0101, 0102, 0103, 0104, and 0105, and 29 CTs in Madison County, 4010, 4011, 4012, 4013, 4014, 4015, 4016, 4017.01, 4017.02, 4018, 4019.01, 4019.02, 4020, 4021, 4022, 4023, 4024, 4025, 4026, 4027.01, 4027.02, 4028.01, 4028.02, 4028.03, 4029, 4030.01, 4030.02, 4031.01 and 4031.02. The MSA AA includes the Jerseyville and Alton branches.

Based on the 1990 MSA median family income, 11 CTs or 32% are classified as moderate-income, 19 CTs or 56% are classified as middle-income, and 3 CTs or 9% are designated as upper-income. Data is not available for CT 4016 as it is no longer a valid CT with the 2000 Census. The bank's Jerseyville branch is located in moderate-income CT 0101 of Jersey County. The Alton branch is located in middle-income CT 4027.01 of Madison County.

The 1990 census data shows the total population in the AA was 152,340, which included 41,759 families. Of these families, 8,986 or 22% were classified as low-income, 8,444 or 20% as moderate-income, 10,959 or 26% as middle-income, and 13,370 or 32% as upper-income. The MSA median family income as of the 1990 census was \$37,995. The 2002 updated figure, adjusted for inflation by the Department of Housing and Urban Development, is \$61,400. We used the 2002 updated figure in our analysis to determine the borrower income levels.

Based on the 1990 census data for the AA, 14% of the population was age 65 and older, 20% of households were in retirement, and 11% of households lived below the poverty level. In 1990, the median housing value for the AA was \$50,875 and the median age of the housing stock was 32 years. Local housing for the AA was 87% 1-4 family units, with 68% being owner-occupied. Only 6% of the housing units were vacant.

Economic conditions in Jersey County are good, with unemployment only slightly higher than the state average of 6.4% and national average of 5.7% at year-end 2002. Bank management indicated Jersey County is experiencing significant growth.

Based on loans outstanding and discussions with bank management, the primary products in the

MSA AA were determined to be residential real estate, commercial, and farm loans. Using only loans made within the AA, we reviewed all Home Mortgage Disclosure Act (HMDA) reportable loans originated and purchased from January 1, 2000 through December 31, 2002. HMDA data was only available on the MSA AA as the bank did not report details on loans made outside the MSA, which is allowed by the regulation.

As part of this CRA evaluation, we reviewed the independent HMDA audit performed during third quarter of 2003 by the bank's outsourced compliance auditor and concluded that the bank's publicly filed data was accurate and reliable.

To further our understanding of the community's credit needs, we made a community contact with a local businessperson knowledgeable about the MSA AA. Our contact identified residential real estate and small business loans as the primary credit needs in the community.

Greene County Assessment Area

The Greene County AA is in a non-Metropolitan Statistical Area (non-MSA) and is comprised of five Block Numbering Areas (BNA): 9736, 9737, 9738, 9739, and 9740. Based on the 1990 Census, one BNA, 9739, is classified as moderate-income and the remaining four BNAs are designated as middle-income. The bank's main office is located in Carrolton, which is in BNA 9740, a middle-income BNA. Based on loans outstanding and conversations with bank management, it was determined that the primary product of the Greene County AA was farm loans.

Total AA population is 15,317, which included 4,250 families. Of these families, 1,037 or 24% were classified as low-income, 847 or 20% as moderate-income, 1,109 or 26% as middle-income, and 1,257 or 30% as upper-income. The non-MSA median family income as of the 1990 census was \$29,693. The 2002 updated figure, adjusted for inflation by the Department of Housing and Urban Development, is \$46,700. The overall economic conditions in Greene County are stable with unemployment at 6.1%, which compares well to the state average of 6.4% and national average 5.7%.

Based on the 1990 census data for the AA, 19% of the population was age 65 and older, 15% of households were in retirement, 15% of households lived below the poverty level, and 40% of households received social security. The median housing value for the AA was \$27,765 and the median age of the housing stock was 43 years. Local housing for the AA was 88% 1-4 family units, with only 66% being owner-occupied and 10% of the housing units reported as vacant.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

CB&T does a reasonable job of meeting the credit needs of its AAs, given the demographics, economic factors, competitive pressures, and regulatory issues faced by the bank. Please refer to the "Description of Institution" and "Description of Assessment Areas" sections of this evaluation for details on these performance context factors.

Loan-to-Deposit Ratio

CB&T's loan-to-deposit (LTD) ratio is reasonable. As of December 31, 2002, the bank's LTD ratio was 85%. CB&T's quarterly average LTD ratio since March 30, 1998 was 83%. This compares well to six similarly situated banks in the area whose quarterly average LTD ratios ranged from 31% to 78%, with an average ratio of 61%. These banks are considered similarly situated because of their size, location, and lending opportunities.

Lending in Assessment Area

Lending in the AA is satisfactory. Based on a review of HMDA data, a majority of the bank's loans originated since the last evaluation were made in the AA. HMDA data from the MSA AA reflected that 72% by number and 79% by dollar were made within the bank's AA.

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

The bank's lending in both AAs reflects reasonable dispersion among borrowers of different income levels and an adequate dispersion among businesses and farms of different sizes given the demographics, economic factors, and impediments faced by the bank.

Lending in MSA AA

Residential Real Estate Loans

The overall borrower distribution of home mortgage loans is adequate. Of the total home mortgage loans, home refinance loans accounted for 63%, home purchase loans accounted for 29%, and home improvement loans accounted for 8%.

In evaluating the borrower distribution of home mortgage loans, we considered the moderate level of households that live below the poverty level, 11%, and the barriers that this may have on home ownership.

The data used to evaluate CB&T's residential lending activity is presented in the following table.

Borrower Distribution of Residential Real Estate Loans in MSA AA								
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	22%	13%	20%	27%	26%	37%	32%	23%
Home Improvement	22%	14%	20%	19%	26%	31%	32%	36%
Refinancing	22%	6%	20%	23%	26%	30%	32%	41%

Source: Data reported under HMDA; 1990 U.S. Census data.

The borrower distribution for home purchase loans is good. The percentage of home purchase loans made to low-income borrowers (13%) is below the percentage of low-income families

(22%) in the AA. Opportunities to make loans to low-income borrowers are limited by the moderate percentage of people living below the poverty level. The percentage of home purchase loans made to moderate-income borrowers (27%) significantly exceeded the percentage of moderate-income families (20%) in the AA. Market share for home purchase loans made to low-income borrowers (2.44%) and moderate-income borrowers (1.94%) exceeds the bank's overall market share (1.93%) in the AA for home purchase loans.

The borrower distribution for home improvement loans is satisfactory. The percentage of home improvement loans made to low-income borrowers (14%) is also below the percentage of low-income families (22%) in the AA. Again, opportunities to make loans to low-income borrowers are limited by the moderate percentage of people living below the poverty level. The percentage of home improvement loans made to moderate-income borrowers (19%) is comparable to the percentage of moderate-income families (20%) in the AA.

The borrower distribution for home mortgage refinance loans is adequate. The majority of HMDA loans were refinances and it is likely that middle- and upper-income level borrowers can more easily afford the costs associated with refinancing. The percentage of refinance loans made to low-income borrowers (6%) is significantly below the percentage of low-income families (22%) in the AA. Again, opportunities to make loans to low-income borrowers are limited by the moderate percentage of people living below the poverty level. The percentage of refinance loans made to moderate-income borrowers (23%) is slightly above the percentage (20%) of moderate-income families in the AA.

Business Loans

The bank's distribution of loans to businesses of different sizes is adequate as illustrated in the following chart.

Borrower Distribution of Loans to Businesses in MSA AA		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	80%	6%
% of Bank Loans in AA by #	75%	25%
% of Bank Loans in AA by \$	90%	10%

*Source: Loan sample (20 loans in the AA); Dunn and Bradstreet data. * 14% of AA businesses did not report revenue data*

Farm Loans

The bank's distribution of loans to farms is good. Only nine farms in the AA reported revenues in excess of \$1 million.

Borrower Distribution of Loans to Farms in MSA AA		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	97%	2%
% of Bank Loans in AA by #	100%	0%
% of Bank Loans in AA by \$	100%	0%

Source: Loan sample (20 loans in the AA); Dunn and Bradstreet data. * 1% of AA farms did not report revenue data

Greene County AA

The bank's distribution of loans to farms in the Greene County AA is good. Only four farms in the AA reported revenues in excess of \$1 million.

Borrower Distribution of Loans to Farms in Greene County AA		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses	98%	2%
% of Bank Loans in AA by #	95%	5%
% of Bank Loans in AA by \$	80%	20%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

The overall distribution of loans to geographies of different income levels is adequate, given the contextual factors.

Lending in MSA AA

Residential Real Estate Loans

The distribution of home mortgage loans to geographies of different income levels is adequate. HMDA reports detailing CB&T's home mortgage activity over the evaluation period were reviewed to identify gaps in the geographic distribution of those loans. No conspicuous gaps were identified. Our conclusion was based on the HMDA reportable loans discussed above. The bank did not report originating any multifamily loans during the evaluation period.

The data used to evaluate CB&T's residential lending activity is presented in the following table.

Geographic Distribution of Residential Real Estate Loans in MSA AA								
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	0%	0%	22%	16%	65%	64%	13%	20%
Home Improvement	0%	0%	22%	21%	65%	69%	13%	10%
Home Refinance	0%	0%	22%	14%	65%	72%	13%	14%

Sources: HMDA data and 1990 U.S. Census data.

The percentage of the bank's home purchase (16%) and home refinance loans (14%) made in the moderate-income geographies is below the percentage of owner-occupied housing units (22%) in these geographies. However, the bank's market share of home purchase loans made in the moderate-income geographies exceeds its market share in all geographies.

Business Loans

The geographic distribution of business loans is good as illustrated in the following chart. While only 27% of AA businesses are located in moderate-income CTs, 45% of loans sampled were made to businesses in moderate-income CTs.

Geographic Distribution of Loans to Businesses in MSA 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
Commercial	0%	0%	27%	45%	73%	55%	0%	0%

Source: Loan sample (20 loans in AA) and Dunn and Bradstreet data.

Farm Loans

The geographic distribution of farm loans is good. The bank's level of lending to farms in moderate-income geographies (35%) exceeds the numbers of farms located in moderate-income geographies (27%).

Geographic Distribution of Loans to Farms in MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm	0%	0%	27%	35%	73%	65%	0%	0%

Source: Loan sample (20 loans in AA) and Dunn and Bradstreet data.

Greene County AA

The level of lending to farms in moderate-income geographies is low but considered adequate. Only 32 farms are located in moderate-income geographies.

Geographic Distribution of Loans to Farms in Greene County AA								
BNA Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm	0%	0%	13%	5%	87%	95%	0%	0%

Source: Loan sample (20 loans in AA) and Dunn and Bradstreet data.

Responses to Complaints

CB&T has not received any complaints about its performance in helping to meet community credit needs since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.