



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 06, 2002 

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Steeleville
Charter Number 14437**

**319 West Broadway
Steeleville, IL 62288**

**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 to low- and moderate-income individuals shows good penetration based on the demographics of the community and credit needs of the assessment area.
- The bank's level of lending is reasonable. The bank's average loan-to-deposit ratio is 61% and is comparable to similarly situated area banks.
- A substantial majority of the bank's loans were made in the assessment area.

DESCRIPTION OF INSTITUTION

First National Bank (FNB) of Steeleville, located in Steeleville, Illinois, is owned and operated by Steeleville Bancshares, Inc., a one-bank holding company. The bank also operates full-service branches in Percy, Illinois, and Sparta, Illinois, as well as a depository automated teller machine (ATM) in Steeleville and a non-depository ATM in Sparta. As of June 30, 2002, the bank's assets totaled \$143 million. There have been no changes in the bank's corporate structure since the last CRA evaluation. Management opened the Sparta branch subsequent to the last CRA evaluation.

FNB offers a full range of retail and commercial banking products normally associated with a small community bank. FNB is primarily a residential real estate and consumer lender. As of June 30, 2002, net loans totaled approximately \$68 million, representing 49% of total assets. The composition of the loan portfolio included 44% residential real estate, 27% commercial, 16% agriculture, and 13% consumer loans.

There are no legal or financial impediments to the bank's ability to meet community credit needs. The bank has adequate resources to provide for the credit needs of its assessment area. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and credit needs of the community. FNB's last CRA evaluation was April 27, 1997, and we rated the bank "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

Management has designated its assessment area (AA) as the eastern portion of Randolph County, which includes Block Numbering Areas (BNAs) 9505, 9506, 9507, 9510, and 9511; the southwestern portion of Perry County, which includes BNA 0303; and the northwestern portion of Jackson County, which includes BNA 0101. This is a contiguous area, meets the

requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies. The main bank and Percy branch are located in BNA 9511. The Sparta branch is located in BNA 9506.

Randolph, Perry, and Jackson Counties are non-Metropolitan Statistical Areas (non-MSAs). Based on the State of Illinois non-MSA median family income all seven BNAs or 100% are classified as middle-income.

As of the 1990 census, the population in the bank's AA totaled 22,778, which included 6,432 families. Of these families, 19% were classified as low-income, 18% as moderate-income, 24% as middle-income, and 39% as upper-income. The non-MSA statewide median family income as of the 1990 census was \$29,693. The 2001 updated figure adjusted for inflation by the Department of Housing and Urban Development is \$44,900. We used the 2001 updated figure in our analysis to determine the borrower income levels.

The 1990 census demographic data for the AA shows that 15% of the population is age 65 and over, 17% of households are in retirement, and 14% of households live below the poverty level. The median housing value is \$40,281 and the median age of the housing stock is 39 years. Owner-occupied units represent 73% of the housing stock, with 78% being 1-4 family units.

Manufacturing businesses primarily support the local economy. Steeleville is considered a "bedroom" community, as many of the local residents commute to the larger cities for employment. Major employers in this AA are Gilster-Mary Lee, Spartan Light Metals, American Device Manufacturing Company, local coal companies, and the State of Illinois. Bank management identified fixed-rate residential real estate and consumer loans as the primary credit needs of the AA.

Economic conditions in Perry County continue to be poor due to local coal mine and plant closings. However, economic conditions in Randolph and Jackson County have improved over the past few years and are now stable. As of October 2002, the unemployment rate in Perry County is 8.1%. The unemployment rates in Randolph and Jackson County are 4.6% and 3.6%, respectively. The state is 6.0% and the national rate is 5.3% for the same period.

Competitive pressures are strong and come primarily from larger financial institutions located in communities surrounding the bank's AA. FNB is one of two financial institutions in the town of Steeleville, Illinois. There are approximately 10 offices of 8 different banks operating in FNB's AA. This number does not include the sundry 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 with a local government official. Our contact identified that residential real estate loans are the primary credit need of the community. The community contact feels that FNB is dedicated to meeting this need. Our contact stated that FNB is currently participating in a Tax Increment Financing project to build 12 duplexes in Steeleville. It is expected that elderly citizens, who no longer want to maintain larger homes, will purchase these duplexes. Our contact did not identify any unmet credit needs and knows of no other community development or other credit-related projects available for participation by local financial institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

Lending to Borrowers of Different Incomes

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

FNB's primary loan products are residential real estate loans and consumer loans. Residential real estate loans comprise the largest portion of the loan portfolio by dollar, and consumer loans comprise the largest portion of the loan portfolio by number.

Using only loans made in the AA, we sampled 20 residential real estate loans and 20 consumer loans originated from January 1, 2000, through September 30, 2002. The facts and data used to evaluate FNB's lending activity 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>	4	20%	68	7%	19%
<i>Moderate Income</i>	5	25%	227	23%	18%
<i>Middle Income</i>	6	30%	327	34%	24%
<i>Upper Income</i>	5	25%	346	36%	39%

**Distribution by Borrower Income Level
Consumer Loans**

Income Levels	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	AA Household Income
<i>Low Income</i>	6	30%	24	28%	23%
<i>Moderate Income</i>	6	30%	16	19%	14%
<i>Middle Income</i>	6	30%	36	42%	19%
<i>Upper Income</i>	2	10%	9	11%	44%

Geographic Distribution of Loans

Analysis of the geographic distribution of the bank's loans in its AA would not be meaningful. The bank's AA consists of seven BNAs, which are all classified as middle-income.

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable. As of June 30, 2002, the bank's loan-to-deposit ratio was 53%. FNB's quarterly average loan-to-deposit ratio since the 1997 CRA evaluation was 61%. This compared satisfactorily to five competing banks in the area whose quarterly average ratios ranged from 35% to 68%. Bank management identified these five competing banks and felt they were similarly situated due to their size and because they had limited branching networks.

Lending in Assessment Area

Lending in the AA is satisfactory. A majority of the bank's loans originated since the last CRA evaluation were made in the AA. A sample of 10 residential real estate loans and 10 consumer loans made since the last CRA evaluation found that 70% by number and 79% by dollar were made within the bank's AA.

Responses to Complaints

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

Fair Lending Review

We analyzed three 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 1997.