



PUBLIC DISCLOSURE

October 21, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Steeleville
Charter Number 14437

319 West Broadway
Steeleville, IL 62288

Office of the Comptroller of the Currency

500 North Broadway
Suite 1700
St. Louis, MO 63102

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 major factors supporting the institution's rating are as follows:

- The bank's distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration.
- The bank's quarterly average loan-to-deposit (LTD) ratio is reasonable.
- The bank originated or purchased a majority of loans within its assessment area (AA).

SCOPE OF EXAMINATION

This Performance Evaluation of the First National Bank of Steeleville (FNB) assesses its record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Small Bank performance criteria. FNB has one AA, which received a full-scope review.

The evaluation period is from April 15, 2008 through October 21, 2014. Conclusions regarding FNB's lending performance are based on their primary loan products consisting of consumer, residential real estate (RRE), and business loans. We based our review on a sample of 20 consumer, 20 RRE, and 20 business loans that FNB originated or purchased from January 1, 2012 through December 31, 2013.

DESCRIPTION OF INSTITUTION

FNB is a nationally chartered, intrastate bank located in Steeleville, Illinois. Steeleville Bancshares, Inc., a one-bank holding company, wholly owns FNB. FNB operates three offices in Randolph County, Illinois; they are located in Steeleville, Percy, and Sparta. All offices have a withdrawal-only automated teller machine (ATM) on the premises. FNB neither opened nor closed any offices during the evaluation period. There are no legal, financial, or other factors impeding FNB's ability to help meet the credit needs of the AA it serves.

As of June 30, 2014, FNB reported total assets of \$200 million and Net Tier One Capital of \$25 million. FNB's business strategy focuses on the origination and purchase of consumer, RRE, and business loans. As of June 30, 2014, net loans and leases represented 40% of total assets and consisted of RRE loans (52%), commercial and commercial real estate loans (23%), farm loans (11%), consumer loans (10%), and other loans (4%). FNB received a "Satisfactory" rating at its last CRA evaluation dated April 15, 2008.

DESCRIPTION OF ASSESSMENT AREA

FNB's designated AA encompasses five census tracts (CTs) in eastern Randolph County (CTs 9505, 9506, 9507, 9510, and 9511), and nearby CTs in southwest Perry County (CT 0303) and northwest Jackson County (CT 0101). The AA consists of seven middle-income geographies. This is a contiguous area located in a non-Metropolitan Statistical Area, conforms to regulatory requirements, and does not arbitrarily exclude low- or moderate-income geographies.

The 2010 census indicated the AA had a population of 21,550, or 6,211 families. Based on the 2010 median family income figure of \$54,549, 17% and 20% of these families were low- and moderate-income, respectively. The Federal Financial Institutions Examination Council (FFIEC) estimates statewide non-metropolitan area median family income for the AA in 2013 is \$56,200.

There were 8,852 households in the AA based on 2010 census data; 22% of them were considered low-income and 16% moderate-income. Just over 12% of households had income below the poverty level, and 23% of households are in retirement.

The 2010 census data counted 9,990 total housing units in the AA. Owner-occupied units totaled 7,115 (71%), renter-occupied units totaled 1,737 (17.5%) and vacant units totaled 1,138 (11.5%). The median age of housing was 42 years old with a median price of \$80,388.

Of the 1,342 non-farm businesses in the AA in 2013, 72% reported annual revenues of less than \$1 million, 4% reported annual revenues of over \$1 million, and 24% did not report revenue.

The unemployment rates in Randolph, Perry and Jackson Counties were 7.1%, 9.4% and 7.3%, respectively, compared to a statewide rate of 7.0% in July 2014. Major industries include manufacturing, followed by the public sector. Major employers in the AA include Gilster-Mary Lee Corporation, Spartan Light Metals, Prairie State Generating Company, Menard Correctional Center, and Chester Mental Health.

FNB's deposits totaled \$157 million as of June 30, 2014. FNB is the fifth largest deposit-taking institution in the 3-county area, with an 8% market share, based on FDIC deposit data. Competition within the AA is strong with approximately 20 competing financial institutions. The three largest financial institutions operating in these counties are First Southern Bank, The Bank of Carbondale, and Regions Bank.

We contacted a community group to further our understanding of the community's credit needs. The contact noted low- and moderate-income individuals could benefit from flexible underwriting on RRE loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB does a reasonable job of meeting the credit needs of the communities it serves, including those of low- and moderate-income people, given the demographics, economic factors, and strong competitive pressures faced by the bank.

Loan-to-Deposit Ratio

FNB's LTD ratio is reasonable given the institution's size, current competition, its financial condition, AA credit needs, and its business strategy.

As of June 30, 2014, FNB's LTD ratio was 51.24%. The bank's quarterly average of LTD ratios since the last CRA evaluation was 55.74%. This ratio is higher than five, and lower than six comparable institutions. The average LTD ratios of these financial institutions, which are comparable in size and location, range from 48% to 76% for the same period.

Lending in Assessment Area

FNB originated a majority of loans inside its AA. Based on our sample of consumer, RRE, and business loans, FNB originated 72% by number and 80% by dollar volume within its AA.

Lending In AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total (\$)
	#	%	#	%		\$	%	\$	%	
Consumer	16	80%	4	20%	20	\$132	92%	\$11	8%	\$143
RRE	11	55%	9	45%	20	\$718	51%	\$677	49%	\$1,395
Business	16	80%	4	20%	20	\$3,594	89%	\$423	11%	\$4,017
Totals	43	72%	17	28%	60	\$4,444	80%	\$1,111	20%	\$5,555

Source: Sample of loans originated or purchased in 2012-2013

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

FNB's lending distribution to borrowers of different income levels and businesses of different sizes reflects reasonable penetration.

Consumer Loans

The borrower distribution of consumer loans is reasonable. The percentage of loans to low-income borrowers (15%) is below the percentage of low-income households in the AA (22%). However, the percentage of loans to moderate-income borrowers (20%) exceeds the percentage of moderate-income households in the AA (16%).

Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	22%	15%	16%	20%	22%	25%	40%	40%

Source: Sample of 20 consumer loans originated or purchased from 2012-2013; 2010 U.S. Census data

Residential Real Estate Loans

The borrower distribution of RRE loans is more than reasonable. The percentage of loans to low-income borrowers (15%) is slightly lower than the percentage of AA low-income families (17%). The percentage of loans to moderate-income borrowers (35%) significantly exceeds the percentage of AA moderate-income families (20%).

Borrower Distribution of Residential Real Estate Loans in 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
RRE	17%	15%	20%	35%	26%	5%	36%	45%

Source: Sample of 20 RRE loans originated or purchased from 2012-2013; 2010 U.S. Census data.

Business Loans

The borrower distribution of business loans is reasonable. The percentage of loans to businesses with revenues of \$1 million or less (85%) exceeds the percentage of AA businesses with revenues of \$1 million or less (72%).

Borrower Distribution of Business Loans in AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	72%	4%	24%	100%
% of Bank Loans in AA by #	85%	10%	5%	100%
% of Bank Loans in AA by \$	51%	49%	0%	100%

Source: Sample of 20 business loans originated or purchased from 2012-2013; 2013 business data.

Geographic Distribution of Loans

FNB’s AA does not include any low- or moderate-income geographies. Therefore, an analysis would not be meaningful.

Responses to Complaints

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

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.