



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 10, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Cornerstone Bank & Trust, National Association
Charter Number 14347

600 North Main Street, Box 270
Carrollton, IL 62106

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.

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

- The bank's distribution of loans to individuals of different income levels and to businesses and farms of different sizes is reasonable.
- The geographic distribution of the bank's loans throughout the assessment area (AA) meets the standard for satisfactory performance in all products sampled.
- The bank's loan-to-deposit (LTD) ratio is reasonable. The bank's average LTD ratio for the last 23 quarters is 79%. The June 30, 2009 LTD ratio is 92%.
- Based on our review of 228 loans, a majority of loans by number (81%) are made in the AAs.

SCOPE OF EXAMINATION

We used small bank procedures to evaluate the performance of Cornerstone Bank & Trust, National Association (CB&T) under the Community Reinvestment Act (CRA). We sampled commercial and agricultural loans originated or purchased from January 1, 2007 through June 30, 2009. We also included all residential real estate (RRE) loans reported under the Home Mortgage Disclosure Act (HMDA) for the years 2007, 2008 and year-to-date 2009 for our analysis of the bank's lending activity. As part of this CRA evaluation, we reviewed a sample of HMDA reportable loans and concluded that the bank's publicly filed data was accurate and reliable.

The bank has two AAs, as described under the Description of Assessment Areas; both received a full-scope review. The bank's overall rating is a blend of the conclusions for both AAs.

DESCRIPTION OF INSTITUTION

CB&T is a wholly owned subsidiary of Carlinville National Bank Shares, Inc., a four-bank holding company headquartered in Carlinville, Illinois. The four banks also own a mortgage banking affiliate, SCIL Mortgage, LLC, located in Chatham, Illinois. As of June 30, 2009, CB&T had total assets of \$122 million, net loans of \$94 million, total deposits of \$102 million, and total risk-based capital of \$12 million.

CB&T is an intrastate bank with three offices in Illinois. The main office is located in Carrollton (Greene County), and the bank has full-service branches in Jerseyville (Jersey County) and Alton (Madison County). CB&T also has three depository automated teller machines, one at each of the facilities. No branches were opened or closed during the evaluation period.

As of June 30, 2008, CB&T had a 16% deposit market share in Greene County, which placed it second out of eight banks with offices in that county. CB&T had a 6% deposit market share in Jersey County (fifth out of six banks operating in that county), and a 1% deposit market share in Madison County (eighteenth out of twenty-eight banks operating in that county).

CB&T offers a full range of retail and commercial banking products normally associated with a community bank. The bank's primary business focus is commercial, agriculture, and residential real estate. As of June 30, 2009, net loans totaled \$94 million, representing 77% of total assets. The loan portfolio consisted of 42% commercial real estate/business loans, 32% farm real estate/agricultural production loans, 20.5% residential real estate loans, 4% consumer loans, and 1.5% lease financing receivables.

There are no known constraints placed on the bank's ability to meet the community credit needs. The type and amount of CRA activities are consistent with the bank's size, financial capacity, and local economic conditions. CB&T's last CRA evaluation was December 4, 2003, and rated the bank Satisfactory.

DESCRIPTION OF ASSESSMENT AREAS

CB&T has two AAs: Jersey County and portions of Madison County in the St. Louis MO-IL Metropolitan Statistical Area (MSA), and Greene County, which is just outside the St. Louis MSA. Both AAs are contiguous areas, meet the requirements of the regulation, and do not arbitrarily exclude low- or moderate-income geographies.

Jersey County and Northwestern Madison County (MSA AA)

Management has designated Jersey County and portions of Madison County as one AA. These counties are part of the St. Louis MSA. The AA is comprised of all 5 census tracts (CTs) in Jersey County and 31 CTs in northwestern Madison County.

Based on loans originated during the assessment period, the primary products in the MSA AA are commercial, farm, and residential real estate loans. Using only loans made within the AA, we reviewed all Home Mortgage Disclosure Act (HMDA) reportable loans originated and purchased from January 1, 2007 through June 30, 2009.

Competition for financial services in Jersey and Madison Counties is strong, with 110 branches of 31 institutions in the AA competing for market share. FDIC deposit market share data as of June 30, 2008 indicates CB&T had deposits of \$57 million in Jersey and Madison Counties, ranking it seventeenth out of these 31 banks, with a 1.3% market share in this AA.

Based on the 2000 MSA median family income, 13 CTs or 36% are classified as moderate-income, 18 CTs or 50% are classified as middle-income, and 5 CTs or 14% are designated as upper-income. The bank's Jerseyville branch is located in middle-

income CT 0101 of Jersey County. The Alton branch is located in middle-income CT 4027.01 of Madison County.

The 2000 Census data shows the total population in the AA was 158,855 which included 42,583 families. Of these families, 8,796 or 21% were classified as low-income, 8,448 or 20% as moderate-income, 10,426 or 24% as middle-income and 14,913 or 35% as upper-income. The MSA median family income as of the 2000 Census was \$53,435. The 2009 updated figure, adjusted for inflation by the Department of Housing and Urban Development, is \$67,900. We used the 2009 updated figure in our analysis to determine the borrower income levels.

Based on the 2000 Census data for the AA, 14% of the population was age 65 and older, 21.5% of households were in retirement, and 10% of households lived below the poverty level. In 2000, the median housing value for the AA was \$80,488 and the median age of the housing stock was 46 years. Local housing for the AA was 94% 1-4 family units, with 69% being owner-occupied.

Farm data as of 2008 shows 398 farms in the AA; 394 (99%) have revenues of \$1 million or less. Only 39 farms (10%) are located in the moderate-income geographies. Business data as of 2008 shows 10,818 businesses in the AA; 6,609 (61%) report revenues of \$1 million or less, 400 (4%) report revenues over \$1 million, and 3,809 (35%) did not report revenues. Approximately 27% of the businesses (2,915) are located in moderate-income geographies.

Economic conditions in the AA are unfavorable due to the national recession. The unemployment rates in Madison and Jersey Counties are 9.3% and 8.6%, respectively, as of July 2009. However, both of these percentages are lower than the St. Louis MSA – Illinois average of 9.4%, the state of Illinois average of 10.5%, and the national average of 9.7%. Major employers in Madison County are Olin Brass, Conoco Philips Wood River Refining Co., Madison County government, Alton Community Unit School District #11, and Lewis and Clark Community College. Major employers in Jersey County are Jersey County Hospital, Jersey Community Schools, Wal-Mart and Pere Marquette Lodge.

To further our understanding of the community's credit needs, we contacted the local community development office. Our contact did not identify any unmet credit needs and advised that local banks are involved in the community.

Greene County (Non-MSA AA)

The Greene County AA is in a non-Metropolitan Statistical Area (non-MSA) and is comprised of all five CTs in Greene County. Based on the 2000 Census, two CTs (9737 and 9739) are classified as moderate-income. These CTs are in the towns of White Hall and Roodhouse. The remaining three CTs are designated as middle-income. The bank's main office in Carrolton is located in middle-income CT 9740. Based on loans originated during the assessment period, the primary product in the Greene County AA is farm loans.

Competition for financial services in Greene County is moderate, with eight offices of eight institutions in the AA competing for market share. FDIC deposit market share data as of June 30, 2008 indicates CB&T had deposits of \$40 million in Greene County, ranking it second out of the eight banks in this AA, with a 16% market share.

Competition in the two moderate-income CTs within the AA is robust. Three institutions have a strong presence in White Hall, and one institution and a credit union have a strong presence in Roodhouse.

The 2000 Census data shows the total AA population is 14,761, which included 4,095 families. Of these families, 905 or 22% were classified as low-income, 982 or 24% as moderate-income, 988 or 24% as middle-income, and 1,220 or 30% as upper-income. The non-MSA median family income as of the 2000 Census was \$43,613. The 2009 updated figure, adjusted for inflation by the Department of Housing and Urban Development, is \$54,400.

Based on the 2000 Census data for the AA, 18% of the population was age 65 and older, 19% of households were in retirement, 13% of households lived below the poverty level, and 37% of households received social security. The median housing value for the AA was \$51,142 and the median age of the housing stock was 64 years. Local housing for the AA was 99% 1-4 family units, with 69% being owner-occupied.

Farm data as of 2008 shows 167 farms in the AA; 165 (99%) have revenues less than \$1 million. Fifty-one farms (30.5%) are located in the two moderate-income geographies.

Economic conditions in the AA are somewhat unfavorable due to the national recession. However, Greene County's unemployment rate of 7.8% compares favorably to the state of Illinois average of 9.7% and the national average 10.5%. The local economy is primarily supported by agriculture. Major employers in Greene County are local government, Boyd Community Hospital, and the local school districts.

To further our understanding of the community's credit needs, we contacted the local economic development office. Our contact did not identify any unmet credit needs and advised that local banks are involved in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

CB&T's loan-to-deposit (LTD) ratio is reasonable given the institution's size, its financial condition, and the needs of the AA. As of June 30, 2009, the bank's LTD ratio is 92%. The average quarterly LTD ratio since the last examination is 79%. This ratio is above that of three comparable banks, and below two, based on size and location. Competitor average quarterly LTD ratios range from 51% to 86% for the same time period.

Lending in Assessment Area

Lending in the AA is satisfactory. A majority of farm, business, and residential real estate (RRE) loans were made within CB&T's two AAs. Based on our sample of 40 small farm, 25 small business, and all HMDA-reportable RRE loans made in 2007, 2008 and 2009, 81.14% by number and 86.86% by dollar amount were made within the bank's AAs.

Lending in the MSA and Non-MSA AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Farm Loans	34	85.00%	6	15.00%	40	\$8,797	94.20%	\$542	5.80%	\$9,339
Business Loans	25	100.00%	0	0.00%	25	\$3,815	100.00%	\$0	0.00%	\$3,815
Residential RE Loans	126	77.30%	37	22.70%	163	\$11,589	78.80%	\$3,118	21.20%	\$14,707
Total	185	81.14%	43	18.86%	228	\$24,201	86.86%	\$3,660	13.14%	\$27,861

Source: Sample of small farm and small business loans, and data reported under HMDA.

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

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

Jersey County and Northwestern Madison County (MSA AA)

CB&T's lending distribution to borrowers of different income levels in this AA is reasonable based on small business and farm loans. More weight was placed on business loans as they are the AA's most significant primary product type by dollar amount and number.

Small Business Loans

The distribution of the bank's loans to small businesses is reasonable. The percentage of loans to businesses with revenues of \$1 million or less exceeds the market demographic data for businesses in the AA (61%) both by number (76%) and by dollar volume (80%).

Borrower Distribution of Loans to Businesses in the MSA AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	61.09%	3.70%	35.21%	100%
% of Bank Loans in AA by #	76.00%	24.00%	0.00%	100%
% of Bank Loans in AA by \$	80.49%	19.51%	0.00%	100%

Source: Sample of 25 small business loans; Dunn and Bradstreet data.

Small Farm Loans

The distribution of the bank’s loans to small farms in this AA is reasonable. The percentage of loans to farms with revenues of less than \$1 million is near the market demographic for number and dollar amount of loans.

Borrower Distribution of Loans to Farms in the MSA AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.00%	0.50%	0.50%	100%
% of Bank Loans in AA by #	95.00%	5.00%	0.00%	100%
% of Bank Loans in AA by \$	99.31%	0.69%	0.00%	100%

Source: Sample of 20 small farm loans; Dunn and Bradstreet data.

Residential Real Estate Loans

The overall borrower distribution of RRE loans originated or purchased during the evaluation period is less than satisfactory.

Borrower Distribution of Residential Real Estate Loans in the MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	20.66%	10.00%	19.84%	5.00%	24.48%	7.50%	35.02%	77.50%
Home Improvement	20.66%	12.50%	19.84%	25.00%	24.48%	0.00%	35.02%	62.50%
Home Refinancing	20.66%	10.34%	19.84%	6.90%	24.48%	5.17%	35.02%	77.59%

Source: Data reported under HMDA from January 1, 2007 through June 30, 2009; U.S. Census data.

The borrower distribution for home purchase loans does not meet the standards for satisfactory performance. The percentage of home purchase loans made to low-income borrowers is lower than the percentage of low-income families in the AA. The percentage of home purchase loans made to moderate-income borrowers is also lower than the percentage of moderate-income families in the AA. Several factors likely contribute to this. The local economy is currently stressed as reflected in the high unemployment rates. During the evaluation period, the bank also used its affiliate, SCIL Mortgage (SCIL), to originate long-term, fixed-rate loans. SCIL participated in several programs during the evaluation period that assist low- and moderate-income families, including Illinois First Time Homebuyer Grant program, the USDA Rural Development Single Family Housing Guaranteed Loan Program, and Freddie Mac’s Home Possible Mortgages and Home Possible Neighborhood Solution Mortgages.

The borrower distribution for home improvement loans meets the standards for satisfactory performance. However, little weight is given to home improvement loans as only 8 were extended during the rating period. The percentage of home improvement loans made to low-income borrowers is lower than the percentage of low-income families in the AA. This is considered adequate given that 10% of the households in the

AA live below the poverty level. The percentage of home improvement loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA.

The borrower distribution for home refinancing loans does not meet the standards for satisfactory performance. The percentage of home improvement loans made to low-income borrowers is lower than the percentage of low-income families in the AA. This is considered adequate given that 10% of the households in the AA live below the poverty level. However, the percentage of home improvement loans made to moderate-income borrowers is also below the percentage of moderate-income families in the AA.

Greene County (Non-MSA AA)

CB&T’s lending distribution to borrowers of different income levels in this AA is reasonable based on farm loans, the primary product type of the AA. No weight was placed on RRE given the bank’s very limited lending in this market.

Small Farm Loans

The distribution of the bank’s loans to small farms is reasonable. The percentage of loans made to farms with revenues of \$1 million or less is near the market demographics.

Borrower Distribution of Loans to Farms in the Non-MSA AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.80%	0.60%	0.60%	100%
% of Bank Loans in AA by #	95.00%	5.00%	0.00%	100%
% of Bank Loans in AA by \$	92.72%	7.28%	0.00%	100%

Source: Sample of 20 small farm loans; Dunn and Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of the bank’s loans is reasonable. There are no low-income geographies in either AA.

Jersey County and Northwestern Madison County (MSA AA)

The geographic distribution of the bank’s loans in this AA meets the standard for satisfactory performance.

Small Business Loans

The geographic distribution of business loans is reasonable. The percentage of business loans made to borrowers in moderate-income CTs approximates the percentage of businesses in the AA located in moderate-income CTs.

Geographic Distribution of Loans to Businesses in the 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
Business Loans	NA	NA	26.95%	24.00%	54.63%	76.00%	18.42%	0%

Source: Sample of 25 small business loans; Dunn and Bradstreet data.

Small Farm Loans

The geographic distribution of farm loans meets the standard for satisfactory performance. The vast majority of CB&T's farm loans (96%) were made to borrowers from Jersey County, which is comprised solely of middle-income CTs. The moderate-income CTs in the AA are all located in Madison County, where competition is strong and CB&T only has a 1% deposit market share.

Geographic Distribution of Loans to Farms in the 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 Loans	NA	NA	9.80%	0%	78.89%	100%	11.31%	0%

Source: Sample of 20 small farm loans; Dunn and Bradstreet data.

Residential Real Estate Loans

The overall geographic distribution of RRE loans originated or purchased during the evaluation period is more than reasonable. The percentage of home purchase loans and home refinancing loans made to borrowers in moderate-income CTs exceeds the percentage of owner-occupied units located in moderate-income CTs. The percentage of home improvement loans made to borrowers in moderate-income CTs is below the percentage of owner-occupied units located in moderate-income CTs; however, little weight is placed on home improvement loans as only 8 were extended during the rating period.

Geographic Distribution of Residential Real Estate Loans in the 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	NA	NA	26.93%	30.00%	56.58%	62.50%	16.49%	7.50%
Home Improvement	NA	NA	26.93%	12.50%	56.58%	75.00%	16.49%	12.50%
Home Refinancing	NA	NA	26.93%	46.55%	56.58%	50.00%	16.49%	3.45%

Source: Data reported under HMDA from January 1, 2007 through June 30, 2009; U.S. Census data.

Greene County (Non-MSA AA)

The geographic distribution of loans reflects reasonable dispersion throughout the AA based on farm loans, the primary product type of the AA. No weight was placed on RRE given the bank’s limited lending in this market.

Small Farm Loans

The geographic distribution of farm loans meets the standard for satisfactory performance. The percentage of farm loans made to borrowers in moderate-income CTs approximates the percentage of farms located in moderate-income CTs.

Geographic Distribution of Loans to Farms in the Non-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 Loans	NA	NA	30.54%	30.00%	69.46%	70.00%	NA	NA

Source: Sample of 20 small farm loans; Dunn and Bradstreet data.

Responses to Complaints

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

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.