PUBLIC DISCLOSURE

October 21, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First FSB of Mascoutah
Charter Number 706191

101 W Main Street
Mascoutah, IL 62258-2032

Office of the Comptroller of the Currency

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 major facts that support the rating of Satisfactory are as follows:

- The distribution of loans to individuals of different income levels is excellent.
- The geographic distribution of loans is excellent.
- The bank's quarterly average loan-to-deposit ratio is reasonable.
- A majority of loans were originated or purchased within the bank's assessment area (AA).

SCOPE OF EXAMINATION

This Performance Evaluation of First FSB of Mascoutah (FFSB) assesses its record of meeting the credit needs of the communities in which it operates. We evaluated FFSB under the Small Bank performance criteria.

The evaluation period is from August 27, 2007 through October 21, 2013. This evaluation period covers two census periods consisting of 2000 and 2010. The census data changes had no material impact on the bank's CRA performance. See the Description of Assessment Area section on page two for further information. Conclusions regarding the bank's lending performance are based on FFSB's primary loan product that consists of residential real estate (RRE) loans. We analyzed all Home Mortgage Disclosure Act (HMDA) loans that FFSB originated or purchased from January 1, 2011 through year-to-date (YTD) September 30, 2013. We conducted a data integrity review of the RRE loans reported under the HMDA. We found the HMDA data to be accurate and reliable.

DESCRIPTION OF INSTITUTION

FFSB is a federally chartered mutual savings bank located in Mascoutah, Illinois. FFSB does not have a holding company or any affiliates. As of September 30, 2013, FFSB reported total assets of $112 million and Net Tier One Capital of $13 million. FFSB's business strategy focuses on the origination of RRE loans and investment in U.S. Treasury securities. As of September 30, 2013, net loans represented 36% of total assets and consisted of RRE loans (92%), commercial real estate loans (3%), consumer loans (2%), and other loans (3%).

FFSB is an intrastate bank with two offices located in St. Clair County (Mascoutah and Lebanon, IL) and one office located in Clinton County (New Baden, IL). All offices are located in middle-income geographies and have a cash withdrawal only automated teller machine (ATM) on the premises. There is an additional cash withdrawal only ATM near McKendree University (Lebanon, IL). There are no legal, financial, or other factors impeding FFSB's ability to help meet the credit needs of the AA it serves.

FFSB was rated "Satisfactory" at its last CRA evaluation dated August 27, 2007.

DESCRIPTION OF ASSESSMENT AREA

FFSB contracted its AA in 2012 to focus their attention on meeting the credit needs of the geographies in close proximity to their offices. Although the bank's current AA no longer includes the four moderate-income geographies that existed in 2011, it conforms to regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

FFSB's 2011 AA, based upon 2000 census data, consisted of portions of three of the eight Illinois counties of the St. Louis, MO-IL Metropolitan Statistical Area (MSA) # 41180 and one adjoining geography (9502) in Washington County. The MSA portion of the bank's AA consisted of four geographies (9001, 9002, 9003, and 9006) in Clinton County, six geographies (4035.02, 4035.31, 4035.32, 4036.01, 4036.02, and 4037) in Madison County, and twenty-nine geographies[1] in St. Clair County. There were four moderate-income geographies, twenty-nine middle-income geographies, and six upper-income geographies in this area. The 2011 Department of Housing and Urban Development (HUD) adjusted median family income for the MSA portion of the AA was $69,500. Sixteen percent and 19% of families were low- and moderate-income, respectively, based upon 2000 census data. The following is additional demographic data for the MSA portion of the AA. It excludes the one geography in Washington County.

DEMOGRAPHIC DATA FOR FFSB'S AA (Portion of the St. Louis, MO-IL MSA # 41180) for 2000 CENSUS DATA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	39	0.00	10.26	74.36	15.38
Population by Geography	217,865	0.00	8.27	77.92	13.81
Owner-Occupied Housing by Geography	60,130	0.00	7.30	78.30	14.40
Business by Geography	19,706	0.00	8.42	76.78	14.80
Farms by Geography	1,291	0.00	1.86	89.47	8.68
Family Distribution by Income Level	59,211	16.15	18.78	25.47	39.60
Distribution of Low and Moderate Income Families throughout AA Geographies	20,678	0.00	11.55	79.58	8.86
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		53,435 69,500 7%	Median Housing Value Unemployment Rate (2000 US Census)		92,029 2.06%

Source: 2000 US Census and 2011 HUD updated MFI

[1] The twenty-nine geographies, based upon the 2000 census data, consist of the following: 5015.21, 5015.22, 5016.01, 5016.02, 5016.03, 5017, 5018, 5019, 5033.01, 5033.02, 5033.04, 5033.31, 5031.32, 5034.02, 5034.04, 5034.05, 5034.11, 5034.12, 5038, 5039.01, 5039.02, 5040.01, 5040.02, 5043.02, 5043.03, 5043.04, 5043.51, 5043.52, and 5043.53.

FFSB's current AA, based upon 2010 census data, consists of portions of two of the eight Illinois counties of the St. Louis, MO-IL MSA # 41180 and the one adjoining geography (9502) in Washington County. The reduction in geographies from the bank's 2011 AA (40 geographies) to the current AA (15 geographies) resulted from the bank contracting its AA and not from a change in the census information. The current MSA portion of the bank's AA consists of two geographies (9001 and 9006.02) in Clinton County and twelve geographies (5038, 5039.03, 5039.04, 5039.05, 5040.02, 5043.02, 5043.03, 5043.51, 5043.52, 5043.53, 5043.54, and 5043.55) in St. Clair County. There are nine middle-income geographies and five upper-income geographies in this area. The 2013 Federal Financial Institutions Examination Council (FFIEC) estimated median family income for the MSA portion of the AA was $69,200. Seventeen percent and 20% of families were low- and moderate-income, respectively, based on 2010 census data. The 2010 median housing value for the MSA portion of the AA was $165,818. The following is additional demographic data for the MSA portion of the AA. It excludes the one geography in Washington County.

DEMOGRAPHIC DATA FOR FFSB'S AA (Portion of the St. Louis, MO-IL MSA # 41180) for 2010 CENSUS DATA

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	14	0.00	0.00	64.29	35.71
Population by Geography	75,607	0.00	0.00	74.56	25.44
Owner-Occupied Housing by Geography	19,231	0.00	0.00	71.73	28.27
Business by Geography	4,374	0.00	0.00	78.69	21.31
Farms by Geography	458	0.00	0.00	84.93	15.07
Family Distribution by Income Level	19,966	16.95	19.52	26.75	36.78
Distribution of Low and Moderate Income Families throughout AA Geographies	7,282	0.00	0.00	76.37	23.63
Median Family Income FFIEC Estimated Median Family Income for 2013 Households Below Poverty Level		67,013 69,200 7%	Median Housing Value Unemployment Rate (2010 US Census)		165,818 2.83%

Source: 2010 US Census and 2013 FFIEC updated MFI

The one (upper-income) geography in Washington County is part of the bank's AA for both census periods. However, we did not perform a borrower and geographic distribution of loans in this one geography since only one loan was originated in 2011 and only one loan was originated in 2012 through YTD 2013.

In Clinton and St. Clair Counties, non-agricultural wage and salaried employment decreased from 132,233 in January 2007 to 128,474 in August 2013, a decrease of 3%. The unemployment rate increased from 6.6% to 9.1% during the same period. The state of Illinois unemployment rate was 9% as of August 2013. Major industries consist of the military, followed by services and retail trade. Major employers include Scott Air Force Base, Memorial Hospital, St. Elizabeth Hospital, and Southwestern Illinois

College. Five percent of families live below the poverty level in the AA based on 2000 and 2010 census data.

FFSB's deposits total $104 million as of June 30, 2013. FFSB is the fourteenth largest deposit-taking institution in St. Clair and Clinton Counties with a 2.1% market share based upon FDIC deposit data. Competition for financial services is strong as thirty-four other financial institutions have a presence in these two counties. A vast majority of these financial institutions are full service banks that regularly provide commercial and agricultural loans, which is not part of FFSB's business strategy. The five largest financial institutions consist of Regions Bank, Associated Bank, N.A., First County Bank, Germantown Trust and Savings Bank, and First Bank.

We determined the community's needs by contacting a representative from a county housing authority and reviewing the HUD Consolidated Housing and Community Development (CD) Plan for St. Clair County. HUD Consolidated Housing and CD Plans are comprehensive planning documents that identify community needs.

We identified the following credit and non-credit related needs in St. Clair and Clinton Counties, which includes the AA:

- In low- and moderate-income geographies, replacing aging housing with mixed use development consisting of commercial development and private and subsidized housing.
- Multifamily affordable housing for the elderly.
- Venture capital loans for small start-up businesses.
- HUD Section 8 subsidized housing and public housing. Presently, there is a waiting list of approximately 13,000 applications for public housing and approximately 5,500 applications for Section 8 subsidized housing.
- Affordable owner-occupied housing for moderate-income households.
- Increase in public funding for owner-occupied and rental housing.
- Flexible credit underwriting to meet the affordable housing needs of low- and moderate-income individuals.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FFSB's loan-to-deposit (LTD) ratio is reasonable given the institution's size, AA credit needs, strong competition from full service financial institutions, its financial condition, and its business strategy of focusing on the origination of RRE loans.

As of June 30, 2013, FFSB's LTD ratio was 39%. The bank's quarterly average of LTD ratios since the last CRA evaluation was 41%. This ratio is higher than one and lower than eleven comparable financial institutions. The average LTD ratios of these financial institutions, which are comparable in size and location, range from 18% to 113% for the same period.

Lending in Assessment Area

A majority (77%) of loans were originated or purchased within FFSB's AA. FFSB originated or purchased 78%, 88%, and 74% of home purchase, home improvement, and home mortgage refinance loans, respectively, within its AA.

Lending in the AA (Portion of the St. Louis, MO-IL MSA #41180 and Census Tract 9502 in Washington County)										
	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total ($)
Loan Type	#	%	#	%		$	%	$	%	
Home Purchase	49	78%	14	22%	63	$4,911	79%	$1,325	21%	$6,236
Home Improvement	14	88%	2	12%	16	1,138	92%	95	8%	1,233
Home Mortgage Refinance	74	74%	26	26%	100	9,007	68%	4,143	32%	13,150
Totals	137	77%	42	23%	179	$15,056	73%	$5,563	27%	$20,619

Source: RRE loan data reported under HMDA for the period January 1, 2011 through September 30, 2013.

Lending to Borrowers of Different Incomes

FFSB's lending distribution of RRE loans to borrowers of different income levels reflects excellent distribution.

Home Purchase Loans
In 2011, the percentage of loans to low- (16%) and moderate-income (32%) borrowers exceeded the aggregate market percentage for low- (11%) and moderate-income (25%) borrowers, respectively. The percentage of loans to low-income borrowers (16%) equaled the percentage of AA families who were low-income (16%). The percentage of loans to moderate-income borrowers (32%) exceeded the percentage of AA families who were moderate-income (19%). In 2012 and YTD 2013, the percentage of loans to low- (14%) and moderate-income (43%) borrowers exceeded the aggregate market percentage for low- (8%) and moderate-income (23%) borrowers, respectively. The percentage of loans to low-income borrowers (14%) was somewhat lower than the percentage of AA families who are low income (17%). The percentage of loans to moderate-income borrowers (43%) exceeded the percentage of families who are moderate-income (19%).

Home Improvement Loans
The volume of home improvement loans originated and purchased in 2011 (5) and 2012 through YTD 2013 (9) was not significant enough to perform a meaningful analysis.

Home Mortgage Refinance
In 2011, the percentage of loans to low-income borrowers (16%) exceeded the aggregate market percentage for low-income borrowers (6%). The percentage of loans to moderate-income borrowers (16%) was near the aggregate market percentage for moderate-income borrowers (17%). The percentage of loans to low-income borrowers (16%) equaled the percent of AA families who were low-income (16%). The percentage

of loans to moderate-income borrowers (16%) was somewhat lower than the percentage of AA families who were moderate-income (19%). In 2012 and YTD 2013, the percentage of loans to low- (12%) and moderate-income (19%) borrowers exceeded the aggregate market percentage for low- (5%) and moderate-income (11%) borrowers, respectively. The percentage of loans to low-income borrowers (12%) was somewhat lower than the percentage of AA families who are low-income (17%). The percentage of loans to moderate-income borrowers (19%) equaled the percentage of AA families who are moderate-income (19%).

Borrower Distribution of Residential Real Estate Loans in the AA (Portion of the St. Louis, MO-IL MSA # 41180) – 2011 HMDA Data												
Borrower Income Level	Low		Moderate		Middle		Upper		Aggregate Lending Data*			
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***	Low	Mod	Mid	Upp
Home Purchase	16%	16%	19%	32%	25%	4%	40%	48%	11%	25%	28%	36%
Home Improvement	16%	0%	19%	60%	25%	20%	40%	20%	9%	17%	29%	45%
Home Mortgage Refinance	16%	16%	19%	16%	25%	19%	40%	49%	6%	17%	25%	52%

*Based on 2011 Peer Mortgage Data (USPR).
** Percentage of Families is based upon the 2000 Census Information.
***As a percentage of loans with borrower income information available.

Borrower Distribution of Residential Real Estate Loans in the AA (Portion of the St. Louis, MO-IL MSA # 41180) – 2012 through 9/30/13 HMDA Data												
Borrower Income Level	Low		Moderate		Middle		Upper		Aggregate Lending Data*			
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***	Low	Mod	Mid	Upp
Home Purchase	17%	14%	19%	43%	27%	19%	37%	24%	8%	23%	29%	40%
Home Improvement	17%	0%	19%	29%	27%	14%	37%	57%	8%	18%	22%	52%
Home Mortgage Refinance	17%	12%	19%	19%	27%	6%	37%	63%	5%	11%	24%	60%

*Based on 2012 Peer Mortgage Data (USPR).
** Percentage of Families is based upon the 2010 Census Information.
***As a percentage of loans with borrower income information available.

Geographic Distribution of Loans

The geographic distribution of RRE loans originated or purchased during the evaluation period reflects excellent distribution. There were no low-income geographies in the bank’s 2011 AA. Additionally, there were no low- or moderate-income geographies in the bank’s current AA using 2010 census data. Therefore, an analysis would not be meaningful for 2012 and YTD 2013.

Home Purchase Loans
In 2011, the percentage of loans in moderate-income geographies (12%) exceeded the aggregate market percentage (4%) and the percentage of owner-occupied housing units in those geographies (7%).

Home Improvement Loans
The volume of home improvement loans originated and purchased in 2011 (5) and 2012 through YTD 2013 (9) was not significant enough to perform a meaningful analysis.

Home Mortgage Refinance
The percentage of loans in moderate-income geographies (12%) exceeded the aggregate market percentage (3%) and the percentage of owner-occupied housing units in those geographies (7%).

Geographic Distribution of Residential Real Estate Loans in the AA (Portion of the St. Louis, MO-IL MSA # 41180) – 2011 HMDA Data

Census Tract Income Level	Low		Moderate		Middle		Upper		Aggregate Lending Data*			
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	Low	Mod	Mid	Upp
Home Purchase	0%	0%	7%	12%	78%	88%	15%	0%	0%	4%	79%	17%
Home Improvement	0%	0%	7%	0%	78%	100%	15%	0%	0%	4%	83%	13%
Home Mortgage Refinance	0%	0%	7%	12%	78%	84%	15%	4%	0%	3%	78%	19%

* Based on 2011 Peer Mortgage Data (USPR).
** The percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census Information.
*** Data shown includes only One to Four-family and manufactured housing.

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.