



## **PUBLIC DISCLOSURE**

October 20, 2014

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Okawville  
Charter Number 11754

203 East Walnut Street  
Okawville, IL 62271

Office of the Comptroller of the Currency

500 N. 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 First National Bank of Okawville's (FNB) lending performance reflects a satisfactory response to community credit needs. The conclusion is based on the following results from our review:

- Lending activities represent an excellent penetration among farms of different sizes and individuals of different income levels.
- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- The bank originated a majority of loans inside its AA.

**SCOPE OF EXAMINATION**

This Performance Evaluation is an assessment of the record of FNB in meeting the credit needs of the communities in which it operates. FNB was evaluated under the Small Bank performance criteria, which includes the lending test. The lending test evaluates the bank's record of helping to meet the credit needs of its AA through its lending activities. The scope of the CRA evaluation period is April 2, 2008 through October 20, 2014. FNB has one AA, which received a full-scope review.

The lending test analysis includes loans originated from January 1, 2012 through December 31, 2013. We reviewed the bank's loan originations in 2012 and 2013 to determine the primary products for the AA. We concluded the bank's primary products are agricultural and consumer loans.

**DESCRIPTION OF INSTITUTION**

The First National Bank of Okawville is an intrastate bank headquartered in Okawville, Illinois. As of June 30, 2014, FNB had total assets of \$59 million, total deposits of \$48.5 million, and Tier One capital of \$6 million. FNB has one automated teller machine (ATM) located at its only location. The ATM is cash dispensing only. The bank does not have any branches at this time. There have been no changes in the corporate structure, including merger or acquisition activities, since the last CRA examination.

FNB offers traditional bank services and loan products normally associated with a community bank. As of June 30, 2014, the bank reported over \$20 million in outstanding loans and had a net loans and leases to total assets ratio of 34%. The loan portfolio consists of the following:

<b>Loan Portfolio Summary by Loan Product June 30, 2014</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Commercial Loans	\$ 5,109	25%
Residential Loans	\$ 5,157	26%
Farm Loans	\$ 7,985	39%
Consumer Loans	\$ 2,052	10%
<b>Total Loans</b>	<b>\$20,303</b>	<b>100%</b>

*Source: Call Report June 30, 2014*

There are no legal or financial impediments to FNB's ability to meet the credit needs in its AA. The bank was rated Satisfactory at its last CRA examination dated April 02, 2008.

## **DESCRIPTION OF ASSESSMENT AREA**

Bank management has designated northwestern Washington County in southwestern Illinois as its AA. The AA is comprised of one census tract (CT), i.e., CT 9502. Based on the 2010 Census Median Family Income of \$54,549, CT 9502 is classified as upper-income. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Based on 2010 Census information, there are 1,615 households in the AA. Median Household Income of the AA is \$55,298, with 18.58% of the population age 65 and older, 22.17% of households in retirement, and 8.48% of households living below the poverty level.

As of June 30, 2014, Washington County's unemployment rate of 5.2% is below the State of Illinois rate of 7.1% and the national rate of 6.1%. Okawville does not have any major employers. Residents commute to the St. Louis metro-east area for work.

Okawville is primarily an agricultural community with the local economy largely affected by the prosperity of the local farmers. The AA includes 103 farms; 98% of these reported gross annual revenues of less than \$1 million, and 2% reported gross annual revenues of greater than \$1 million.

Including FNB, there are eight financial institutions with offices in Washington County; two of these are within Okawville. Major competitors include a mix of community banks and branches of regional banks: Farmers and Merchants Bank of Nashville, Old Exchange National Bank of Okawville, Nashville Savings Bank, Community Trust Bank, Regions Bank, Oakdale State Bank, and Farmers State Bank of Hoffman. As of June 30, 2014, the bank's total deposits are \$48.5 million, which amounts to an 11.78% market share and is the fifth highest within Washington County. Farmers and Merchants Bank of Nashville has the highest market share with 33.61%.

To further our understanding of the community's credit needs, we referenced a community contact completed on a community service organization knowledgeable about the areas served by the bank. Our contact did not identify any unmet credit needs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

### **Loan-to-Deposit Ratio**

FNB's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly LTD ratio averaged 47.03% over the 26 quarters since the last CRA examination, with a low of 33.70% and a high of 64.04%.

The bank's LTD ratio is comparable to other community banks of similar size, location and product offerings. FNB ranks fourth out of four similarly situated institutions within Washington County. The other three banks had quarterly LTD ratios averaging 60.61% and ranging from 52.57% to 65.87% over the 26 quarters since the last CRA examination. When assessing the reasonableness of the bank's LTD ratio, we considered the high level of competition in the AA, as well as the decreased loan demand from FNB's main customers, local farmers.

### **Lending in Assessment Area**

A majority of the primary loan products originated by FNB are to borrowers within its AA. We sampled 20 loans each of the bank's two primary loan products, agricultural loans and consumer loans. Based on our sample of 40 loans, 83% by number and 67% by dollar amount were made within the bank's AA.

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

The distribution of loans reflects excellent penetration among farms of different sizes and individuals of different income levels.

#### **Agricultural Loans**

The distribution of loans to farms reflects excellent penetration among farms of different sizes. All of the bank's 20 agricultural loans in our sample were made to small farms. Small farms are farms with gross annual revenues of \$1 million or less. The demographic data show 98% of the farms in the bank's AA have gross annual revenues less than or equal to \$1 million.

<b>Borrower Distribution of Loans to Farms</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98%	2%	0%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Sample of 20 farm loans originated in 2012-2013; 2013 Business Demographic data

**Consumer Loans**

The distribution of consumer loans reflects excellent penetration among borrowers of different income levels. We sampled 20 consumer loans originated in 2012 and 2013. Seven loans, or 35%, were extended to low-income borrowers. Six loans, or 30%, were extended to moderate-income borrowers. These ratios far exceed the percentage of low-income households (18%) and moderate-income households (9%) within the bank’s AA.

<b>Borrower Distribution of Consumer Loans</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA House- holds	% of Number of Loans	% of AA House- holds	% of Number of Loans	% of AA House- holds	% of Number of Loans	% of AA House- holds	% of Number of Loans
Consumer Loans	18%	35%	9%	30%	20%	10%	53%	25%

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

**Geographic Distribution of Loans**

The AA consists of a single upper-income CT. As such, an analysis of the geographic distribution of loans within the AA would not provide meaningful information.

**Responses to Complaints**

FNB has not received any complaints about its performance in helping to meet the community credit needs since the last 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 associations (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank of 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.

