



PUBLIC DISCLOSURE

November 16, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Lacon
Charter Number 347

111 South Broad Street
Lacon, Illinois 61540

Office of the Comptroller of the Currency

211 Fulton Street
Suite 604
Peoria, Illinois 61602

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 rating are:

- A majority of loans made to customers are inside the assessment area (AA)
- The distribution of loans to farms of different sizes reflects reasonable penetration.
- The quarterly loan-to-deposit (LTD) ratio over the evaluation period is reasonable.

SCOPE OF EXAMINATION

This Community Reinvestment Act Performance Evaluation (CRA PE) assesses the First National Bank of Lacon's (FNB Lacon or bank) ability to meet the credit needs of the communities in which it operates. We evaluated FNB Lacon using the Small Bank performance criterion, which includes a lending test. The lending test evaluates the bank's ability to meet the credit needs of its AA through its lending activities.

The evaluation period covers the period between the date of the prior CRA PE of October 13, 2009, and November 16, 2015. We rated FNB Lacon Satisfactory at the previous CRA PE.

We based the lending test on the primary loan products for the AA, utilizing the dollar volume of loan originations from January 1, 2013, through September 31, 2015. We based our conclusion regarding the lending performance on the agriculture loans originated from January 1, 2013, through September 31, 2015, utilizing 2010 U.S. Census data.

We obtained and reviewed a random sample of agriculture loans originated during the evaluation period. We obtained revenues of farms, as well as geocoding data for each individual loan in the sample.

DESCRIPTION OF INSTITUTION

FNB Lacon is a community bank in Lacon, Illinois, with assets of \$63 million at September 30, 2015. The bank has one office with a drive-up facility and five ATM locations in Lacon, Illinois. There were no branch closures or openings during the evaluation period. FNB Lacon serves its community by offering lending options to meet the needs of the community through agriculture, consumer, commercial, and residential loan products.

The bank originated \$48 million in loans between January 1, 2013, and September 31, 2015. The primary product is agriculture loans as it accounted for 49 percent of the dollar value of originations.

The loan portfolio consists of the following:

Table 1 – Loan Portfolio Summary by Loan Type as of September 30, 2015		
Loan Category	\$(000)	%
Agriculture Loans	27,786	57
Residential Loans	9,478	20
Commercial Loans	8,279	17
Consumer Loans	2,953	6
Total Loans	48,496	100

Source: September 30, 2015 Call Report

FNB Lacon is a wholly owned subsidiary of First Lacon Corporation, a one-bank holding company with assets of \$63 million at September 31, 2015. First Lacon Corporation does not negatively affect FNB Lacon's ability to meet the credit needs of the community.

There are no legal or financial circumstances that impede the bank's ability to meet the credit needs of its AA.

DESCRIPTION OF ASSESSMENT AREA

Table 2 – Demographic Information for Assessment Area					
		Low	Moderate	Middle	Upper
Demographic Characteristics	#	% of #	% of #	% of #	% of #
Geographies (Census Tracts)	5	0.00	20.00	80.00	0.00
Population by Geography	12,640	0.00	20.11	79.89	0.00
Owner-Occupied Housing by Geography	4,231	0.00	19.24	80.76	0.00
Business by Geography	741	0.00	23.21	76.79	0.00
Farms by Geography	190	0.00	7.89	92.11	0.00
Family Distribution by Income Level	3,266	19.04	19.60	24.89	36.47
Distribution of Low and Moderate Income Families throughout AA Geographies	1,262	0.00	24.17	75.83	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2014		\$66,038 \$63,700		Median Housing Value	\$105,823
Poverty Rate: Households Below Poverty Level Families Below Poverty Level		9.7% 6.8%		Unemployment Rate: Marshall County Peoria, Illinois MSA State of Illinois	5.6% 5.7% 5.1%

Source: 2010 U.S. Census and 2014 FFIEC updated MFI. Unemployment information from the Bureau of Labor Statistics, September 30, 2015.

The AA includes five census tracts (CTs) in primarily rural Marshall County, which is part of the Peoria, Illinois Metropolitan Statistical Area (MSA). The AA is located along the Illinois River and includes the towns of Lacon, Henry, and Sparland. There are no low-income CTs in the AA. There is one moderate-income CT in the AA that encompasses the town of Henry. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income CTs.

Competition among financial institutions for agriculture lending in the AA is strong due to the quantity of banks located in Marshall County as well as neighboring counties. FNB Lacon competes for loan customers with state and national banks as well as institutions of the Farm Credit System.

FNB Lacon held a FDIC insured deposit market share of 22 percent among seven institutions in Marshall County and a less than one percent market share among 40 institutions in the Peoria, Illinois MSA, at June 30, 2015.

Primary employment sectors in the AA include agriculture, manufacturing, and retail services while primary employment sectors for the Peoria, Illinois MSA include manufacturing, health and medical, retail services, and education sectors. The unemployment rate for Marshall County has improved from the high unemployment rates of 8 percent at December 31, 2013, and 6 percent at December 31, 2014. The Marshall County unemployment rate compares favorably to the Peoria, Illinois MSA but less favorably to the State of Illinois unemployment rate.

We contacted a director of a not-for-profit organization that seeks to benefit farmers in the community. The contact identified the economy of the area as agriculture based and noted the strong economic condition of the area farming community due to the primary crops of corn and soybeans, nearby ethanol facilities, and access to rail, highway and river transportation. The contact mentioned that local farms range in size from the smaller multi-generation family owned farms to farmers who own and rent thousands of acres of farmland. The contact did not identify any low- or moderate-income areas that are in need of banking services or additional opportunities where local financial institutions could become involved with the community. The contact noted FNB Lacon and its loan officers are supporters of the agriculture community in Marshall County. The contact had no negative perceptions regarding FNB Lacon's involvement in meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB Lacon meets the standard for Satisfactory performance.

Loan-to-Deposit Ratio

FNB Lacon's average LTD is reasonable given the size, financial condition, and lending opportunities available in the AA. The quarterly LTD ratio averaged 78 percent over 24 quarters from September 31, 2009, to June 30, 2015, with a low of 69 percent and a high of 90 percent. The similarly situated financial institutions, which range in size from \$19 million to \$133 million, are community banks located in Marshall County and neighboring counties. The similarly situated institutions had an overall average LTD ratio of 52 percent, with an average low LTD ratio of 35 percent and an average high LTD ratio of 80 percent.

Lending in Assessment Area

FNB Lacon originated a majority of loans to customers inside its AA during the evaluation period, both by number and dollar volume.

Table 3 - Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Agriculture	48	80	12	20	60	6,422	63	3,776	37	10,198
Totals	48	80	12	20	60	6,422	63	3,776	37	10,198

Source: In/Out Loan Sample

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

The distribution of loans to small farms reflects reasonable penetration among farms of different sizes. The U.S. Census data from 2010 indicates there are zero farms within the AA with annual revenues over one million dollars, while FNB Lacon had four customers with revenues over one million dollars in the sample. With increased commodity prices, increased yields, and consolidation in farming, the number of farms generating over one million dollars in annual revenues has increased.

Table 4 - Borrower Distribution of Loans to Farms in AA			
Farm Revenues	≤\$1,000,000	>\$1,000,000	Total
% of AA Farms	100%	0%	100%
% of Bank Loans in AA by #	92%	8%	100%
% of Bank Loans in AA by \$	80%	20%	100%

Source: Agriculture Loan Sample and 2010 U.S. Census Data

Geographic Distribution of Loans

There are no low-income CTs in the AA. There is one moderate-income CT in the AA. The moderate-income CT encompasses the town of Henry, Illinois, and has limited opportunity for agriculture lending. The 2010 U.S. Census data showed 15 farms in the CT, thus there is an insufficient population for a meaningful analysis.

Responses to Complaints

There were no complaints received during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 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.