



## **PUBLIC DISCLOSURE**

July 05, 2016

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

The First National Bank and Trust Company of Rochelle  
Charter Number 14221

340 May Mart Drive  
Rochelle, IL 61068

Office of the Comptroller of the Currency

Chicago Field Office  
1700 East Golf Road  
Suite 800  
Schaumburg, IL 60173

**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.**

Primary factors supporting this rating:

- The loan-to-deposit ratio is reasonable.
- A majority of the bank's loans were originated in the bank's assessment area (AA).
- Lending to borrowers of different income levels and businesses of different sizes is reasonable.

## **Scope of Examination**

This Community Reinvestment Act (CRA) evaluation assesses the performance of First National Bank and Trust Company of Rochelle (FNB Rochelle) in meeting the credit needs of its community using Small Bank CRA examination procedures. The evaluation period for this assessment was June 10, 2013 through July 5, 2016.

The primary evaluation was performed under the lending test, which evaluates the bank's record of meeting the credit needs of its AA through lending activities. The review period for the lending analysis was January 1, 2014 through December 31, 2015. The lending analysis includes a sample from the bank's primary lending products. We assessed the bank's CRA performance in regards to residential, small business, and small farm loans originated or purchased in 2014 and 2015. We evaluated lending to borrowers of different incomes and to businesses and farms of different sizes. As the bank's AA does not include any low- or moderate-income geographies, we did not evaluate the geographic distribution of loans. We compared the bank's lending performance to 2010 demographic census data for the AA.

We used quarterly financial data since the last CRA evaluation to assess the loan-to-deposit (LTD) ratio. The average spanned 12 quarters dating from June 2013 through March 2016.

We used Federal Deposit Insurance Corporation (FDIC) annual deposit information to determine the bank's deposit market share and deposit market ranking within its AA. The most recent deposit market share information was dated June 30, 2015.

Prior to this evaluation, examiners validated the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data for 2014 and 2015. No material errors were noted for the HMDA loan data. As such, we used all HMDA-reportable data for analysis of home loan products (purchase, improvement, and refinance). Additionally, examiners created a random sample of small business and small farm loans from bank reports to evaluate small business and small farm lending performance. We included all HMDA loans and a sample of 23 small business loans and 24 small farm loans originated in 2014 and 2015.

## Description of Institution

FNB Rochelle was a \$261 million intrastate financial institution as of March 31, 2016; headquartered in Rochelle, Illinois. Rochelle is located approximately 40 miles south of Rockford, Illinois. FNB Rochelle is a wholly owned subsidiary of Ogle County BancShares, Inc, a one-bank holding company headquartered in Rochelle, Illinois. The bank has no subsidiaries or affiliates.

FNB Rochelle operates three bank offices. All three offices are located in the state of Illinois. The main office is located in Rochelle with the remaining two branches located in the towns of Ashton and Oregon. There is an automated teller machine (ATM) located at each office location. FNB Rochelle offers traditional loan, deposit, and other bank services at each location.

FNB Rochelle is a community bank focused in agricultural, commercial, and residential lending. As of March 31, 2016, FNB Rochelle reported approximately \$76 million in gross loans and leases. Please refer to Table 1 for the composition of the loan portfolio.

| <b>Table 1 - Loans By Category</b>   | <b>\$ (000s)</b> | <b>Percent</b> |
|--|------------------|----------------|
| Residential Mortgages  | 28,965           | 38.16          |
| Agricultural (including farmland loans)  | 19,339           | 25.48          |
| Commercial (including CRE, multifamily residential and non-residential construction loans) | 19,550           | 25.75          |
| Consumer Loans   | 5,243            | 6.91           |
| Other Loans  | 2,813            | 3.70           |
| <b>Total Gross Loans</b>   | <b>\$75,910</b>  | <b>100.00%</b> |

Source: Bank loan data

The bank received a “Satisfactory.” Rating at the last CRA evaluation, dated June 10, 2013.

There are no financial circumstances or legal constraints that would impede FNB Rochelle’s ability to help meet the credit needs of the AA.

## Description of Assessment Area

FNB Rochelle’s AA is comprised of portions of Ogle County and Lee County. There are nine census tracts (CT) included in the AA. Four CTs are upper-income geographies (44.44 percent) and five are middle-income geographies (55.56 percent). The AA is reasonable based on the size and financial capacity of the bank and meets the requirements of the regulation. The AA does not arbitrarily exclude any low- or moderate-income geographies.

According to the 2010 Census data, the AA's population was 42,194. There were 11,755 families in the AA, of which 1,563 were low-income (13.30 percent), and 1,666 were moderate-income (14.17 percent). Families below the poverty level totaled 7.92 percent of AA families. The FFIEC calculated the 2015 weighted average median family income for this area to be \$64,258.

The 2010 US Census data shows that there was 17,887 housing units within the AA. Of these, 67.30 percent were owner occupied, 23.70 percent were renter occupied, and 8.60 percent were vacant units. The weighted average median housing value in the AA was \$149,895.

As of March 2016, the unemployment rates for the counties in the AA were 6.5 percent (Lee County) and 7.3 percent (Ogle County) as compared to the State of Illinois unemployment rate of 6.8 percent. The AA's local economy is primarily comprised of service businesses (39.25 percent of businesses) and agriculture, forestry, & fishing related enterprises (13.47 percent of businesses). The majority of the businesses in the AA are small businesses. Approximately 90.37 percent of businesses in the AA have less than 50 employees with 72.79 percent of businesses having only one to four employees.

As of June 30, 2015, FNB Rochelle ranked first in its AA per the FDIC's deposit market share report, with a deposit market share of 13.06 percent. Competitors include Stillman BancCorp, NA with 12.89 percent of the market, Midland States Bank with 10.37 percent of the market, and Byron Bank with 9.36 percent of the market. In total, there were 22 financial institutions in the market area.

During our evaluation, we conducted two community contact interviews relating to this AA. The interviews covered the community's profile, opportunities for local financial institutions to participate in the community, and the performance of the community's financial institutions. The contacts stated that credit needs of the community include economic development to revitalize the downtown (Rochelle) to attract home owners and working capital loans to startup and small businesses.

## **Conclusions with Respect to Performance Tests**

**FNB Rochelle demonstrated a Satisfactory performance in meeting the credit needs of its AA.**

**The Loan to Deposit (LTD) ratio is reasonable. A majority of the bank's loan activity is inside its AA. The borrower distribution reflects reasonable penetration.**

**Loan-to-Deposit Ratio**

The bank’s average loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and AA credit needs. FNB Rochelle’s quarterly average loan-to-deposit ratio for the period from June 30, 2013 to March 31, 2016 was 31.69 percent. The most recent loan-to-deposit ratio (March 2016) was 34.10 percent. The average quarterly loan to deposit ratio for six banks of similar size in the AA ranged from 31.69 percent to 85.77 percent. FNB Rochelle ranks sixth of the six peer banks in the AA.

FNB Rochelle's LTD ratio is lower than peer averages primarily because FNB Rochelle utilizes the secondary market to provide funding for many of the loans they originate, especially to meet the mortgage needs of their assessment area. The bank utilizes the services of USDA, Freddie Mac, and Farmer Mac. The bank originated and sold 190 loans totaling \$23 million in 2014 and 2015.

**Lending in Assessment Area**

FNB Rochelle originated a majority of its lending within its AA during the evaluation period. We reviewed all HMDA loans and a sample of 23 small business loans and 24 small farm loans originated in 2014 and 2015. Based on the loans reviewed, 80.31 percent of the number of loans and 66.81 percent of the dollar amount of FNB Rochelle’s loans are inside the AA. Please refer to Table 2 for further detail.

| <b>Table 2 - Lending in the AA</b> |                 |       |         |       |       |                  |       |         |       |          |
|------------------------------------|-----------------|-------|---------|-------|-------|------------------|-------|---------|-------|----------|
| Loan Type                          | Number of Loans |       |         |       |       | Dollars of Loans |       |         |       |          |
|                                    | Inside          |       | Outside |       | Total | Inside           |       | Outside |       | Total    |
|                                    | #               | %     | #       | %     |       | \$(000)          | %     | \$(000) | %     |          |
| Home Loans                         | 270             | 78.49 | 74      | 21.51 | 344   | 23,672           | 64.78 | 12,870  | 35.22 | \$36,542 |
| Business                           | 22              | 95.65 | 1       | 4.35  | 23    | 1,237            | 89.19 | 150     | 10.81 | \$1,387  |
| Farm                               | 22              | 91.67 | 2       | 8.33  | 24    | 2,734            | 79.38 | 710     | 20.62 | \$3,444  |
| Total                              | 314             | 80.31 | 77      | 19.69 | 391   | 27,643           | 66.81 | 13,730  | 33.19 | \$41,373 |

Source: Bank data and HMDA reports (2014 & 2015).

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

**The bank’s distribution of lending among borrowers of different income levels and businesses of different sizes reflects reasonable penetration.**

Residential Lending

The bank’s distribution of home purchase, home refinance, and home improvement loans reflects reasonable penetration among borrowers of different income levels.

For home purchase loans, the bank’s borrower distribution to low-income borrowers is poor as the percentage of loans made to low-income borrowers is lower than the percentage of low-income families. Generally, homeownership is not a viable option for

families living below the poverty line. When taking into account the percentage of families below the poverty level, the percentage of home purchase loans made to low-income families was near the percentage of low-income families and is reasonable. The bank’s home purchase lending to moderate-income borrowers is excellent as the percentage of loans made to moderate-income borrowers exceeded the percentage of moderate-income families.

For home improvement loans, the bank’s borrower distribution to low-income borrowers is excellent as the percentage of loans made to low-income borrowers exceeded the percentage of low-income families. The bank’s home improvement lending to moderate-income borrowers is reasonable as the percentage of loans made to moderate-income borrowers was near the percentage of moderate-income families.

For refinancing loans, the bank’s borrower distribution to low-income borrowers is poor as the percentage of loans made to low-income borrowers was lower than the percentage of low-income families. When taking into account the percentage of families below the poverty level, the percentage of refinance loans made to low-income families was near the percentage of low-income families and is considered reasonable. The bank’s refinancing lending to moderate-income borrowers is reasonable as the percentage of loans made to moderate-income borrowers was near to the percentage of moderate-income families. Please refer to Table 3 for further details.

| Table 3 - Borrower Distribution of Residential Real Estate Loans |                  |                      |                  |                      |                  |                      |                  |                      |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| 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 |
| Home Purchase  | 13.30            | 4.44                 | 14.17            | 14.44                | 23.81            | 25.56                | 48.72            | 55.56                |
| Home Improvement   | 13.30            | 14.58                | 14.17            | 12.50                | 23.81            | 31.25                | 48.72            | 41.67                |
| Home Refinance   | 13.30            | 3.48                 | 14.17            | 12.17                | 23.81            | 23.48                | 48.72            | 60.87                |

Source: HMDA Data (2014 & 2015) and US Census Data (2010)

Small Business Lending

The bank’s distribution of loans to small businesses reflects excellent penetration among businesses of different sizes.

We analyzed 22 loans in our small business sample that were located within the bank’s AA. FNB Rochelle’s small business lending is excellent as the percentage of small business loans to businesses with revenues of less than or equal to \$1 million exceeded

the percentage of businesses located in the AA with revenues of less than or equal to \$1 million.

| Table 4 - Borrower Distribution of Loans to Non-Farm Businesses |               |               |                       |       |
|---|---------------|---------------|-----------------------|-------|
| Non-Farm Business Revenues                                      | ≤ \$1,000,000 | > \$1,000,000 | Unavailable / Unknown | Total |
| % of AA Non-Farm Businesses                                     | 76.25         | 4.26          | 19.50                 | 100%  |
| % of Bank Loans in AA by #                                      | 81.82         | 13.64         | 4.55                  | 100%  |

Source: HMDA Data (2014 & 2015) and sample of 22 Small Business Loans

### Small Loans to Farms

FNB Rochelle’s distribution of small farm loans within the AA reflects reasonable penetration. We analyzed 22 loans in our small farm sample that were located within the bank’s AA.

The bank’s small farm lending is reasonable. The percentage of small farm loans to farms with revenues of less than \$1 million was lower than the percentage of small farms located in the AA with revenues of less than \$1 million. However, two of the 22 sampled farm loans did not report revenue. Of the 20 loans with reported revenue, 14 were to farm businesses with less than \$1 million in revenue (70.00 percent).

| Table 6 - Borrower Distribution of Loans to Farm Businesses |               |               |                       |       |
|---|---------------|---------------|-----------------------|-------|
| Farm Business Revenues                                      | ≤ \$1,000,000 | > \$1,000,000 | Unavailable / Unknown | Total |
| % of AA Farm Businesses                                     | 99.12         | 0.29          | 0.59                  | 100%  |
| % of Bank Loans in AA by #                                  | 63.64         | 27.27         | 9.09                  | 100%  |

Source: HMDA Data (2014 & 2015) and US Census Data (2010)

### Geographic Distribution of Loans

There are no low- or moderate- income geographies in FNB Rochelle’s AA. Therefore, we did not perform an analysis of the geographic distribution of loans.

### Responses to Complaints

FNB Rochelle did not receive any written complaints regarding its performance in helping to meet the credit needs within its assessment area during the evaluation period. The Office of the Comptroller of the Currency (OCC) did not receive any CRA-related comments or complaints regarding the bank during the evaluation period.

## **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. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.