



## **PUBLIC DISCLOSURE**

August 04, 2016

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

The First National Bank of Brownstown  
Charter Number 10397

Main Street  
Brownstown, IL 62418

Office of the Comptroller of the Currency

Harris Center  
3001 Research Road  
Champaign, IL 61822-1089

**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 Outstanding.**

**The major factors that support First National Bank of Brownstown's (FNB's) rating include:**

- **The borrower distribution of loans reflects excellent penetration among households of different income levels and farms of different sizes, given the demographics of the assessment area (AA).**
- **The geographic distribution of loans reflects excellent dispersion throughout the AA. For each of our sampled products, the ratio of loans made to borrowers in the moderate-income census tracts significantly exceeds the comparative ratio.**
- **A substantial majority of the loans are originated within the bank's AA.**
- **The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, AA's credit needs, and competition.**

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses FNB's record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Small Bank performance criterion, which includes a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities. The evaluation period for this review is from October 2, 2008, to June 30, 2016.

The lending test is based on FNB's primary loan products. An analysis of the number and dollar volume of loan origination information supplied by the bank identified the bank's primary loan products for this evaluation period to be consumer loans and farm loans. As loan originations for 2014, 2015, and year-to-date 2016 are representative of the evaluation period, our analysis utilized a sample of consumer loans and agriculture loans originated between January 1, 2014, and June 30, 2016.

The bank is not located in a Metropolitan Statistical Area (MSA) and is not subject to the requirements of the Home Mortgage Disclosure Act. The bank does not collect census tract (CT) data on loans. Therefore, for our in/out of the AA analysis, we utilized 20 consumer loans and 20 farm loans originated during our loan sample period. For our borrower distribution analysis and geographic distribution analysis, we reviewed a sample of 20 consumer loans and 20 farm loans made within the AA during our loan sample period. In addition to our loan sample, we utilized 2010 U.S. Census Data, updated FFIEC Median Family Income, 2015 Dun & Bradstreet Business Geo-demographic Data, and FDIC deposit market share data as of June 30, 2016, in our analysis.

## DESCRIPTION OF INSTITUTION

FNB is a \$36 million intrastate financial institution located in Brownstown, Illinois (Fayette County). Brownstown, is located along Interstate 70, approximately 25 miles west of Effingham, IL. FNB has one full-service branch and one non-depository automated teller machine located in downtown Brownstown. Management has not opened or closed any branches during this evaluation period.

FNB is 99.2 percent owned by First Brownstown Bancorp, Inc., a one-bank holding company located in Brownstown, with 0.8 percent of bank shares held by two individuals. The bank's business strategy is to aggressively seek and conservatively make loans of all types.

The bank offers a full range of retail and commercial banking products normally associated with a community bank. Gross loans total \$18 million on June 30, 2016, representing 57 percent of total assets. The following represents the bank's loan and lease portfolio mix as of that date:

<b>Loan Portfolio Summary by Loan Product, as of June 30, 2016</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Farm Loans	35%
Residential Mortgage Loans	31%
Consumer Loans	16%
Commercial Loans	15%
Other Loans	3%

*Source: June 30, 2016 Call Report Data*

Tier one capital totals \$3.8 million as of June 30, 2016. There are no financial, legal, or other impediments that would hinder the bank's ability to help meet the credit needs of its AA. Bank activities are consistent with the bank's size, its financial capacity, local economic conditions, and credit needs of the community. The bank was rated "Outstanding" at its last CRA examination on October 1, 2008.

## DESCRIPTION OF ASSESSMENT AREA(S)

The bank's AA consists of seven CTs (#9505 - #9511) in Fayette County. The Fayette County CTs include two moderate-income and five middle-income designations. Fayette County is not located in a MSA. This AA conforms to the regulation and does not arbitrarily exclude low- or moderate-income areas.

FNB's AA was not impacted by 2014 MSA changes. Therefore, we used the demographic information in the following table, which is based on 2010 census date, in our borrower and geographic distribution analysis:

<b>Demographic Information for the AA</b>					
	#	% Low	% Mod	% Middle	% Upper
Families by Income Level	5,563	22.51%	17.92%	23.87%	35.70%
Households by Income Level – (owner occupied)	8,176	25.15%	15.75%	20.21%	38.89%
Census Median Family Income (MFI)		\$54,499	Median Housing Value		\$75,790
Weighted Average of Median Household Income		\$41,926	Weighted Average of Median Year Built		1960
Weighted Average of Median Family Income		\$51,848			
FFIEC Updated MSA MFI:		2014 \$58,600	Households Below the Poverty Level		14.91%
		2015 \$60,100			
			<b>2010 Business Data</b>		
Businesses: Percent of small businesses in the AA		67.77%	Percent of businesses not reporting revenue figures		27.19%
Farms: Percent of small farms in the AA		99.26%	Percent of farms not reporting revenue figures		0.00%

### **Economic Data**

The local economy and that of the surrounding area is stable. The local economy is driven largely by agriculture. Major industries and businesses in Fayette County include: Vandalia Correctional Center, Pinnacle Foods, Poly-pak, Octochem, Vanseal, Fayette County Hospital, South Central FS, Woosley Brothers, and various school districts and nursing homes. It should be noted that two major employers (Orgille Hardware Distributors and Owens-Brockway Plastics) closed since the prior evaluation period (2008); each employed approximately 200 - 300 individuals.

The unemployment rate for Fayette County as of December 2015 was 7.3 percent, compared to the State of IL unemployment rate of 6.0 percent, and the National unemployment rate of 5.0 percent for the same time-period. The unemployment rates as of June 2016 were: Fayette County 6.2 percent; State of IL 6.2 percent and National 4.9 percent.

FNB faces competition from eight community banks in Fayette County, including two larger community banks and a credit union. As of June 30, 2015, FNB's deposit market share was approximately 7.87 percent and the fifth largest in the county.

We performed one community contact, during the evaluation period, with a local community development group located in Fayette County. This organization serves all

of Fayette County, including Brownstown. Needs identified by this organization include providing financial expertise to the organization and to local businesses. Future needs may include making small business loans available for existing and start-up businesses.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank’s performance under the lending test is excellent. The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, AA's credit needs, and local competition. FNB originated a substantial majority of loans within the AA. The borrower distribution of loans reflects excellent penetration among households of different income levels and farms of different sizes. The geographic distribution of loans reflects excellent dispersion throughout the AA.

**Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, AA's credit needs, and local competition. FNB’s quarterly average loan-to-deposit (LTD) ratio for the last 31 quarters was 50.98 percent. The bank’s lowest ratio during that period was 42.19 percent and the highest was 57.06 percent. FNB’s quarterly average LTD ratio is above other similarly situated community banks, whose average quarterly LTD ratio was 48.42 percent for the same time period, with a range from 40 percent to 57 percent. The two similarly situated banks utilized for comparison purposes are community banks located in Fayette County with assets ranging from \$28 million to \$35 million. FNB’s assets at June 30, 2016, were \$36 million.

**Lending in Assessment Area**

FNB originated a substantial majority of loans within the AA. Based on a sample of 20 consumer loans and 20 farm loans, originated from January 1, 2014, through June 30, 2016, 97.50 percent of the number of loans and 99.58 percent of the dollar amount of loans are made within the bank’s AA. The following table illustrates loans made inside and outside of the bank’s AA during the loan sample evaluation period:

<b>Lending in the AA</b>										
Type of Loans	Number of Loans					Dollar of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer Loans	19	95%	1	5%	20	\$169	94.90%	\$9	5.10%	\$178
Farm Loans	20	100%	0	0.00%	20	\$1,998	100%	\$0	0.00%	\$1,998
<b>Total</b>	<b>39</b>	<b>97.50%</b>	<b>1</b>	<b>2.50%</b>	<b>40</b>	<b>\$2,167</b>	<b>99.58%</b>	<b>\$9</b>	<b>0.42%</b>	<b>\$2,176</b>

Source: Sample of 20 consumer loans and 20 farm loans originated from January 1, 2014, through June 30, 2016.

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

The overall distribution of loans reflects excellent penetration among households of different income levels and farms of different sizes, given the demographics of the AA. The distribution of consumer loans reflects excellent penetration among households of different income levels. The distribution of farm loans reflects excellent penetration among farms of different sizes.

Consumer Loans

The borrower distribution of consumer loans in the AA is excellent. The percent of consumer loans made to low-income borrowers (45 percent) significantly exceeds the percent of low-income households in the AA (25 percent). The percent of such loans made to moderate-income borrowers (25 percent) also significantly exceeds the percent of moderate-income households in the AA (16 percent).

<b>Borrower Distribution of Consumer Loans in Fayette County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	25.15%	45.00%	15.75%	25.00%	20.21%	10.00%	38.89%	20.00%

Source: Sample of 20 consumer loans, 2015 FFIEC median household income, and 2010 U.S. Census Data.

Farm Loans

The distribution of loans to small farms is excellent. The percent of bank loans in the AA by number (100 percent) and dollar (100 percent) exceeds the percent of small farms in the AA (99.26 percent). A small farm is defined as one with gross annual revenues of less than \$1 million.

<b>Borrower Distribution of Loans to Farms in Fayette County</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	99.26%	0.74%	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 and 2015 Business Geodemographic Data.

### Geographic Distribution of Loans

The geographic distribution of loans reflects an excellent dispersion throughout the AA for all products sampled. There were no conspicuous gaps noted in the bank’s lending.

#### Consumer Loans

The geographic distribution of consumer loans made in the AA is excellent. The percentage of consumer loans made in moderate-income CTs (70 percent) significantly exceeds the percentage of households in these CTs (25 percent). There are no low-income CTs in the bank’s AA.

Geographic Distribution of Consumer Loans in Fayette County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	NA	NA	24.90%	70.00%	75.10%	30.00%	NA	NA

Source: Sample of 20 consumer loans and 2010 U.S. Census Data.

#### Farm Loans

The geographic distribution of farm loans made in the AA is excellent. The ratio of farm loans made in moderate-income CTs (40 percent) exceeds the ratio of farms located in these CTs (34 percent). There are no low-income CTs in this AA.

Geographic Distribution of Loans to Farms in Fayette County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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	N/A	N/A	34.07%	40.00%	65.93%	60.00%	N/A	N/A

Source: Sample of 20 farm loans and 2015 Business Geodemographic Data.

### **Responses to Complaints**

FNB has not received any complaints about its performance in helping to meet AA credit needs during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance.

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