



PUBLIC DISCLOSURE

June 10, 2013

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

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

The major factors supporting First National Bank and Trust Company of Rochelle's (FNB Rochelle) rating include:

- Lending to borrowers of different incomes and businesses of different sizes is reasonable. The bank's distribution of Home Mortgage Disclosure Act (HMDA) reported loans reflects reasonable penetration among low- and moderate-income borrowers. FNB Rochelle's lending to businesses and farms with revenues less than or equal to \$1 million is also reasonable.
- A majority of the bank's loans made during our evaluation originated within the assessment area (AA.)
- FNB Rochelle's quarterly average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, credit needs of the AA, and other performance context.

SCOPE OF EXAMINATION

We evaluated FNB Rochelle's CRA performance using Small Bank examination procedures. Under Small Bank CRA examination procedures, the primary evaluation is made under the lending test. The evaluation period for this assessment was April 8, 2008 through June 10, 2013. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The lending test for FNB Rochelle covers loans originated or purchased from January 1, 2010 through December 31, 2012.

The bank's primary loan categories consist of residential real estate loans, along with agricultural and commercial lending, with the most weight given to residential real estate lending. We used the bank's Home Mortgage Disclosure Act (HMDA) loan data to evaluate residential real estate lending. In addition, we evaluated a sample of 23 commercial loans and 21 agricultural loans made during 2010 through 2012. We validated all data used within this public evaluation and deemed the data to be reliable.

We used reported Federal Deposit Insurance Corporation (FDIC) annual deposit information to determine the bank's deposit market share and market presence within its AA. The most recent deposit market share information is dated June 30, 2012.

The CRA evaluation period covers two different sets of census information (year 2000 census results for the 2010 and 2011 data and 2010-census results for the 2012 data). We will show the analysis using both sets of data when discussing the bank's performance under the lending test.

As noted below in our discussion of the bank's AA, the demographics for the bank's AA remained relatively unchanged between census data years. Our lending analysis consisted of a review of all the bank's HMDA reported loans for the years 2010 and 2011 compared to the 2000 census demographics, and 2012 lending data compared to the 2010 census demographics. Our lending analysis of the bank's small business and small farm loans consisted of a sample of loans originated over the same three-year review period. Small business and small farm loans originated in 2010 and 2011 were compared to the 2011 updated small business/farm demographic data and 2012 originations were compared to 2012 demographic data. All of our findings were then compiled to reach an overall performance conclusion for the bank's lending test. The bank's HMDA lending carried the most weight due to the significant volume of such lending originated during the review period. The volume of lending in 2010 and 2011 was greater than the volume of lending in 2012, thus, the 2010 and 2011 lending performance was also given more weight in reaching our overall conclusions.

DESCRIPTION OF INSTITUTION

FNB Rochelle is a \$241 million financial institution, as of March 31, 2013, 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, a one-bank holding company. The bank's main office is located in Rochelle, Illinois. In addition to the main office, there are two other branches, one located in Ashton, Illinois and the other in Oregon, Illinois. There is an automated teller machine located at each office location.

FNB Rochelle offers traditional loan, deposit, and other bank services at each location. As of March 31, 2013, FNB Rochelle had approximately \$61.5 million in outstanding loans and deposits of approximately \$208 million. The bank's entire gross loan portfolio is summarized below in Table 1.

Table 1 - Loans By Category*	\$ (000s)	Percent
Residential Mortgages	\$ 29,168	47.39
Agricultural (including farmland loans)	\$ 15,872	25.79
Commercial (including CRE, multifamily residential and non-residential construction loans)	\$ 13,261	21.54
Consumer Loans	\$ 3,011	4.89
Other Loans	\$ 239	0.39
Total Gross Loans	\$ 61,551	100.00

**From March 31, 2013 Call Report*

The bank is committed to serving the credit needs of the community in which it does business. It is the bank's policy to respond to all credit-worthy segments of their market. As noted by the loan categories above, FNB Rochelle's lending strategy is centered in residential lending. However, the bank also strives to provide agricultural and commercial loans to their market. There are no legal or financial impediments, or other

factors that would hinder FNB Rochelle's ability to help meet the credit needs of the community. The bank received an Outstanding rating at its last CRA evaluation dated April 07, 2008.

DESCRIPTION OF ASSESSMENT AREA

FNB Rochelle has designated the central and southeast corner of Ogle County, Illinois and northwest corner of Lee County, Illinois as their AA. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate- income geographies.

Per the 2000 census data, there were approximately 40,259 persons living within the bank's AA, with approximately 11,002 families and 15,149 households. The AA consists of nine contiguous census tracts surrounding the bank's offices. The AA includes portions of Ogle and Lee Counties, a metropolitan division of the Rockford MSA. There are no low- or moderate-income census tracts in the bank's AA. The weighted average of HUD updated MSA median family income was \$56,600. There were approximately 1,132 households (7.47 percent) living below the poverty level. The family income levels within the AA were 12.89 percent low-income, 14.76 percent moderate-income, 22.70 percent middle-income and 49.65 percent upper-income.

Based on 2011 business demographic data for non-farm businesses, 69.96 percent had gross revenues less than or equal to \$1 million. Farm businesses with gross revenues less than or equal to \$1 million represented 99.77 percent of all farm businesses. The primary business type in the AA was the service industry (38.31 percent) followed by the agriculture, forestry, & fishing industries (11.76 percent) and the retail trade industry (9.45 percent).

Per the 2010 census data, the bank's AA consisted of nine census tracts surrounding the bank's three banking offices. The AA consisted of five middle-income tracts (55.56 percent) and four upper-income tracts (44.44 percent). There were no low- or moderate-income census tracts in the bank's AA. There were approximately 42,194 persons living within the bank's AA, with approximately 11,755 families and 16,349 households. The weighted average of HUD updated MSA median family income was \$57,400. There were approximately 1,540 households (9.42 percent) living below the poverty level. The family income levels within the AA were; 16.69 percent low-income, 17.40 percent moderate-income, 28.47 percent middle-income and 37.44 percent upper-income.

Based on 2012 business demographic data for non-farm businesses, 73.02 percent had gross revenues less than or equal to \$1 million. Farm businesses with gross revenues less than or equal to \$1 million represented 99.76 percent of all farm businesses. The primary business type in the AA was the service industry (38.29 percent) followed by the agriculture, forestry, & fishing industries (12.27 percent) and the retail trade industry (10.46 percent).

Competition among financial institutions in the AA is strong. According to the FDIC's June 30, 2012 deposit market share report, FNB Rochelle ranks second out of 23 financial institutions with a deposit market share of 11.80 percent. The highest deposit market share out of the 23 financial institutions reported a market share of 12.94 percent. However, the level of lending in the AA for all banks has greatly reduced largely in part to lower loan demand from the economic recession.

We conducted two community contacts during the evaluation. These community contacts stated that the major community credit needs are loans for affordable housing and loans to small businesses. In addition, one of the biggest obstacles the AA is facing is matching residential real estate and commercial retail development with the significant growth seen in the industrial sector. The 2012 unemployment rate for the two counties in the bank's AA was 9.3 percent for Lee County and 10.8 percent for Ogle County, both higher than the state unemployment rate of 8.3 percent. Major employers in the AA include Rochelle Foods, Total Logistics Controls, and Americold Logistics. However, discussions with community contacts revealed that most employers hire employees that do not live within the bank's AA. This is due to limited quantities of qualified workers within the AA and the easy accessibility to the jobs via Interstates 88 and 39.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

Loan-to-Deposit (LTD) Ratio

FNB Rochelle's quarterly average LTD ratio is reasonable given the bank's size, financial condition, secondary marketing operations, credit needs of the AA and other performance context. The bank's quarterly average LTD for the evaluation period beginning March 31, 2008 through March 31, 2013 was 43.86 percent. The quarterly average LTD for eight FDIC insured financial institutions with material deposit market share in the bank's AA (including FNB Rochelle) ranged from a low of 43.86 percent to a high of 78.23 percent during the same time period. The average LTD for all eight financial institutions was 63.98 percent. As of March 31, 2013, total assets of the peer group ranged from \$33 million to \$1,523 million, with FNB Rochelle's total assets reported at \$241 million.

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 1,742 loans totaling \$219 million from the first quarter of 2008 through the first quarter of 2013. If we take into consideration the \$117 million secondary market mortgage portfolio of originated loans that FNB Rochelle currently services, the loan to deposit ratio would be

approximately 85 percent as of March 31, 2013. In addition, during this past year, the bank had a reduction in their agricultural portfolio due to the record year that many farmers had, thereby reducing the need for financing of operating lines and new equipment/projects. Furthermore, to stay competitive and to offer their agriculture customer base competitive rates, management implemented a Farmer Mac program and sold approximately \$9 million from the bank's loan portfolio to the Farmer Mac secondary market.

In addition, a large portion of the loan growth experienced prior to the last CRA evaluation was primarily due to loan participations purchased from a local large regional bank that is now closed. In reaching our reasonable LTD conclusion, we also took into consideration the low loan demand stemming from the overall weak local economy that is still struggling to recover from the recent recession. These outside factors have a negative impact on FNB Rochelle's current loan to deposit ratio.

Lending in Assessment Area

The majority of the bank's HMDA reportable loans and originated commercial and agricultural loans are within the delineated AA. The breakdown by loan type, number and amount of loan is shown in Table 2 below. Based on the combined results of all CRA evaluated lending activity, 77.75 percent in number of loans and 72.59 percent in dollar of loans were within FNB Rochelle's AA.

Table 2 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollar of Loans in (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase*	120	67.42	58	32.58	178	12,356	59.52	8,404	40.48	20,760
Home Improvement*	104	89.66	12	10.34	116	4,992	89.10	611	10.90	5,603
Home Refinance*	626	77.48	182	22.52	808	67,340	73.39	24,419	26.61	91,759
Commercial**	21	91.30	2	8.70	23	2,130	98.25	38	1.75	2,168
Agricultural**	20	95.24	1	4.76	21	2,113	95.05	110	4.95	2,223
Totals	891	77.75	255	22.25	1,146	88,931	72.59	33,582	27.41	122,513

*Consist of loans reported by the bank under the Home Mortgage Disclosure Act for 2010, 2011 & 2012.

**Represents sample of loans selected that were originated in 2010, 2011 & 2012.

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

As noted above, the CRA evaluation covers two different sets of demographic data (year 2000 census data for the 2010-2011 review period and year 2010 census data for the 2012 review period). We evaluated the borrower distribution for all HMDA reportable loans, as well as small business and small farm loans (commercial/agricultural) from our sample for each time period. We combined the results to determine the overall rating for this portion of the lending test.

The overall distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses or farms of different sizes. The bank's penetration of HMDA loans among low- and moderate-income borrowers was reasonable for all time periods. Lending to businesses with revenues of \$1 million or less was excellent for the 2010-2011 review period. For the 2012 review period, the bank's penetration among businesses with revenues of \$1 million or less was reasonable. In addition, the bank's penetration of loans to farms with revenues less than or equal to \$1 million was reasonable for the 2010-2011 review period. The bank's penetration of farm loans with revenues less than or equal to \$1 million for the 2012 review period was poor.

Borrower Distribution for 2012 Review Period

After analyzing the bank's borrower distribution for 2012 HMDA reportable loans (see Table 3 below), the bank has reasonable penetration for both low- and moderate-income individuals inside the AA.

FNB Rochelle's penetration in home purchase and home refinance lending to low-income borrowers in the bank's AA was lower than the percentage of low-income families in the AA. However, considering the poverty rate of 7.9 percent and the fact that low-income families could not readily afford home ownership, the bank's penetration to low-income borrowers was reasonable. Home improvement lending to low-income borrowers was reasonable as the percentage of home improvement loans originated to low-income borrowers was near the percentage of low-income families in the AA. The penetration among moderate-income borrowers was excellent for home purchase loans as the percentage of home purchase loans to moderate-income borrowers exceeded the percentage of moderate-income families in the bank's AA. The bank's penetration of home improvement and home refinance loans for moderate-income borrowers was reasonable as the percentage of home improvement and home refinance loans originated to moderate-income borrowers was near the percentage of moderate-income families in the AA.

Table 3 - Borrower Distribution of 2012 HMDA Reported 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	16.69	3.13	17.40	18.75	28.47	28.13	37.44	50.00
Home Improvement	16.69	16.13	17.40	16.13	28.47	35.48	37.44	32.26
Home Refinance	16.69	7.74	17.40	10.32	28.47	27.10	37.44	54.84
Total	16.69	8.26	17.40	12.39	28.47	28.44	37.44	50.92

FNB Rochelle's lending to small businesses was reasonable (see Table 4 below). The bank's percentage of loans originated to businesses with revenues less than or equal to \$1 million inside the AA was near the percentage of small businesses located in the bank's AA.

Table 4 - Borrower Distribution of 2012 Loans to Small Businesses in AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	73.02	3.01	23.97	100.00
% of Bank Loans in AA by #	71.43	28.57	0.00	100.00
% of Bank Loans in AA by \$	61.29	38.71	0.00	100.00

For 2012, the distribution of loans to farms with revenues less than or equal to \$1 million was poor as the percentage of loans made to small farms was significantly lower than the percentage of small farms located in the bank's AA (see Table 4A below).

Table 4A- Borrower Distribution of 2012 Loans to Small Farms in AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Farms	99.77	0.00	0.23	100.00
% of Bank Loans in AA by #	50.00	50.00	0.00	100.00
% of Bank Loans in AA by \$	37.78	62.22	0.00	100.00

Borrower Distribution for 2010-2011 Review Period

The distribution of home loans to borrowers reflects reasonable penetration among low- and moderate-income individuals inside the AA (see Table 5 below). The bank's percentage of home improvement and home refinance lending to low-income borrowers was lower than the percentage of low-income families in their AA. However, considering the poverty level of 5.3 percent (based on 2000 census data) and the fact that those low-income families could not readily afford home ownership, the bank's penetration to low-income borrowers was reasonable. Home purchase loans to low-income borrowers showed reasonable penetration as the bank's percentage of home purchase loans to low-income borrowers was near the percentage of low-income families in the bank's AA. The penetration among moderate-income borrowers was excellent for all of the bank's HMDA reportable loan types. For home purchase, home improvement, and home refinance loans to moderate-income borrowers, the bank's percentage of loans originated exceeded the percentage of moderate-income families in the bank's AA.

Table 5 - Borrower Distribution of 2010 & 2011 HMDA Reported 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	12.89	9.30	14.76	15.12	22.70	23.26	49.65	47.67
Home Improvement	12.89	2.74	14.76	34.25	22.70	19.18	49.65	42.47
Home Refinance	12.89	6.28	14.76	15.15	22.70	24.68	49.65	48.70
Total	12.89	6.28	14.76	17.39	22.70	23.83	49.65	47.83

*4.65% of Home Purchase, 1.37% of Home Improvement and 5.19% of Home Refinance loans did not report income.

FNB Rochelle’s lending to small businesses was excellent (see Table 6 below). The bank’s percentage of loans originated to businesses with revenues less than or equal to \$1 million inside the AA exceeded the percentage of small businesses located in the AA.

Table 6 - Borrower Distribution of 2010 & 2011 Loans to Small Businesses in AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	69.96	2.04	28.00	100.00
% of Bank Loans in AA by #	85.71	14.29	0.00	100.00
% of Bank Loans in AA by \$	73.58	26.42	0.00	100.00

Lending to farms with revenues less than or equal to \$1 million showed reasonable penetration as the percentage of loans made to small farms was near the percentage of small farms located in the AA (see Table 6A below).

Table 6A - Borrower Distribution of 2010 & 2011 Loans to Small Farms in AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Farms	99.77	0.00	0.23	100.00
% of Bank Loans in AA by #	78.57	21.43	0.00	100.00
% of Bank Loans in AA by \$	33.81	66.19	0.00	100.00

Geographic Distribution of Loans

FNB Rochelle’s AA does not contain any low- or moderate-income census tracts. Therefore, specific analysis of the geographic distribution of loans was not performed.

Responses to Complaints

FNB Rochelle has not received any written comments or complaints regarding its performance in helping to meet the credit needs in its AA during the evaluation period.

The OCC has not received any CRA related comments or complaints during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c) in determining a national bank's (bank) 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.