



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 7, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

340 May Mart Drive
Rochelle, Illinois 61068

Office of the Comptroller of the Currency

Comptroller of the Currency
ADC-Chicago North
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1700 E. Golf Road
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 Community Reinvestment Act (CRA) RATING: This institution is rated OUTSTANDING.

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

- Lending to borrowers of different incomes and businesses of different sizes is excellent. The bank's distribution of Home Mortgage Disclosure Act (HMDA) reflects excellent penetration among borrowers of different income levels. FNB Rochelle's lending to business of different sizes is also excellent.
- FNB Rochelle's record of lending within its Assessment Area (AA) is good as a majority of the bank's loans assessed during our examination were originated within the delineated AA.
- FNB Rochelle's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, AA credit needs, and other compensating factors.

SCOPE OF EXAMINATION

Residential real estate and commercial lending are the bank's primary loan categories. This is based on their business strategy and the number and dollar amount of these loans originated during the evaluation period. Therefore, residential real estate and commercial (small business) lending received more weight in reaching our overall conclusions. To review residential real estate loans we used the bank's entire HMDA Loan Application Register for 2006 and 2007. A sample of 30 loans from the 2006 (10 loans) and 2007 (20 loans) HMDA was validated to ensure the data's integrity. To evaluate commercial lending, we took a sample of 30 commercial loans made in 2006 and 2007. FNB Rochelle has only one delineated community which we used as our full scope AA.

DESCRIPTION OF INSTITUTION

FNB Rochelle is a \$214 million financial institution 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 is an additional branch located in downtown Rochelle, Illinois and two other branches located in Ashton, Illinois and Oregon, Illinois. There is an Automated Teller Machine located at each of the branches along with one located in Sullivan Foods grocery store in Rochelle, Illinois and Casey's convenience store in Ashton, Illinois.

FNB Rochelle offers traditional loan, deposit, and other bank services at each location. As of December 31, 2007, FNB Rochelle had approximately \$112 million in outstanding net loans and deposits of approximately \$173 million, for a net loan-to-deposit ratio of 65 percent. The bank's main two loan categories of residential real estate and commercial loans make up 64% of the bank's loan portfolio. The bank's entire gross loan portfolio is summarized below in Table 1*.

Table 1 - Loans By Category	\$ (000s)	Percent
Agriculture Loans	\$ 27,774	24.55
Consumer Loans	\$ 7,515	6.64
Commercial Loans	\$ 33,910	29.97
Residential Real Estate Loans	\$ 43,936	38.84
Total Gross Loans	\$ 113,135	100.00

**From 12/31/07 Call Report*

There are no financial circumstances, legal constraints, or other factors that would hinder FNB Rochelle's ability to help meet the credit needs of their community. The prior CRA evaluation was dated May 13, 2002 at which the bank received an "Outstanding" rating.

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.

The AA consists of nine census tracts surrounding the bank's four retail offices. The AA consists of five middle-income tracts (55.56%) and four upper-income tracts (44.44%). There are no low- or moderate-income census tracts in the bank's delineated AA. The total population of the AA was 40,259 based on the 2000 census data. The 2000 weighted average median family income was \$52,508 and the 2007 HUD adjusted median family income was \$50,600. The AA contains 13%, 15%, 23% and 49% of low-, moderate-, middle-, and upper-income families, respectively. The poverty level for the AA was 5.32 percent. In 2007, 91% of the housing in the AA was 1-4 family units and 69% were owner-occupied.

Sixty-nine percent of businesses have less than \$1MM in annual gross revenues and 63% have 1-4 employees. The primary business type in the AA is the service industry (27%) followed by agriculture, forestry, & fishing industry (14%) and retail trade industry (12%). The 2007 unemployment rate for the AA was low at 2.42% and below the 2007 state unemployment level of 5.3%. Major employers in the AA include Rochelle Foods, Total Logistics Controls (TLC), and Americold Logistics.

Competition among financial institutions in the AA is strong. There are 24 institutions serving Ogle and Lee counties in Illinois. According to the Federal Deposit Insurance Corporation's June 30, 2007 deposit market share report, FNB Rochelle ranks third out of 24 financial institutions with a deposit market share of 11.55 percent. The highest deposit market share out of the 24 financial institutions was 13.05 percent.

We conducted two community interviews during the evaluation. The contacts stated that the major community credit needs are loans for affordable housing and loans to small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The CRA evaluation period is from the last examination (May 13, 2002) to the current examination (April 7, 2008). The lending test evaluated performance from January 1, 2006 through December 31, 2007. The loan-to-deposit ratio, consumer complaints, and all other factors considered cover the entire evaluation period. A full scope review was performed for the bank's one delineated AA. There were no limited scope areas to include in our evaluation.

Loan-to-Deposit Ratio

FNB Rochelle's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, AA credit needs, and other compensating factors. FNB Rochelle's quarterly average loan-to-deposit ratio for the evaluation period ending December 31, 2003 to December 31, 2007 was 55 percent. The quarterly loan-to-deposit ratio for other similar financial institutions located in Ogle and Lee County Illinois ranged from 55 to 91 percent over the evaluation period. The most recent quarterly loan-to-deposit ratio for FNB Rochelle was 65% (December 31, 2007).

There are two compensating factors that explain why FNB Rochelle's loan-to-deposit ratio is lower than their peer averages. FNB Rochelle sells a large number of mortgage loans to the secondary market and these loans are excluded from the loan-to-deposit ratio. Since the last evaluation period, FNB Rochelle has sold 1,278 loans representing \$138 million. Additionally, on October 9, 2004 FNB of Rochelle purchased two bank branches from Blackhawk Bank (Oregon, IL & Rochelle IL) and \$34 million in deposits. The deposit only purchase by FNB Rochelle significantly decreased the bank's loan-to-deposit ratio. Since the purchase, FNB or Rochelle's loan-to-deposit ratio has steadily increased.

Lending in Assessment Area

FNB Rochelle's record of lending within its AA is good as a majority of the bank's loans assessed during our examination were originated within the delineated AA. See the breakdown by loan type, number and amount of loans in Table 2.

Table 2 - Lending in the Assessment Area (AA)
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Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total (000s)
	#	%	#	%		\$ (000s)	%	\$ (000s)	%	
HMDA* Loans	543	74.28	188	25.72	731	50,136	72.42	19,096	27.58	69,232
Commercial Loans **	23	76.67	7	23.33	30	3,478	63.77	1,976	36.23	5,454
Totals	566	74.38	195	25.62	761	53,614	71.79	21,072	28.21	74,686

Source: Data reported under HMDA and loan listings provided by the bank for 2006 and 2007.

*HMDA loans consist of home purchase, home improvement, and home refinancing loans reported by the bank under the Home Mortgage Disclosure Act.

**Represents sample of loans selected that were originated in 2006 & 2007

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

Lending to borrowers of different incomes and businesses of different sizes is excellent. The bank's distribution of HMDA reflects excellent penetration among borrowers of different income levels. FNB Rochelle's lending to business of different sizes is excellent. Lending to borrowers of different incomes and to business of different sizes is significant given the needs identified by the community contacts.

HMDA Loans

The bank's distribution of HMDA loans reflects an excellent penetration among different income levels. The distribution is especially impressive when reviewing the market share reports. FNB Rochelle's market share is excellent. It ranks first in every loan category (home purchase, home refinance, and home improvement) to low- and moderate-income borrowers. The bank's market share of low- and moderate-income borrowers compared to their overall market share is also excellent. See Table 3 below.

Table 3 - Market Share Reports			
Product	Overall Market %	Low-Income Market %	Moderate-Income Market %
Home Purchase	11.49	19.44	18.95
Home Refinance	9.88	29.17	12.96
Home Improvement	30.64	27.27	37.04
Overall	12.32	23.94	18.40

The bank made 7% of loans to low-income families. Although the delineated AA contains 13% of low-income families, 5% of the families in the AA are below the poverty level, making it difficult for them to qualify for a loan. Lending to moderate-income families is excellent. The percent of moderate-income families in the AA is 15% while number of loans to moderate-income individuals is 19%. Please see Table 4 below.

Table 4 - Percentage of HMDA Loans

Borrower Income Level	Home Purchase*		Home Improvement*		Home Refinance*		All Mortgage Loans*		Percentage of Families in AA*
	#	\$	#	\$	#	\$	#	\$	
Low	6.00%	3.55%	7.63%	3.24%	8.00%	5.58%	7.00%	4.26%	12.89%
Moderate	20.40%	14.28%	20.34%	6.45%	16.00%	9.78%	18.97%	12.21%	14.76%
Middle	22.80%	22.76%	28.81%	32.71%	26.86%	21.92%	25.41%	23.03%	22.70%
Upper	48.40%	54.36%	40.68%	56.88%	47.43%	60.89%	46.41%	56.84%	49.65%
N/A	2.40%	5.05%	2.54%	0.72%	1.71%	1.83%	2.21%	3.66%	-

Source: Data reported under HMDA for 2006 and 2007.

Represents the number of loans by percentage

\$ Represents the dollar of loans by percentage

*The percentage of families below the poverty level in the AA for 2007 was 5.32%

In further response to the credit needs of low- and moderate-income borrowers the bank participates in several special mortgage loan programs designed to aid consumers in qualifying for home loans. The bank originated a total of 105 loans for \$10,050,309 under these programs, as follows:

- USDA Rural Development Guaranteed Loan Program – This USDA program is a no down payment conventional consumer mortgage. Eligibility is based on household income. Since the last CRA exam, the bank originated 83 loans totaling \$8,082,672.
- Freddie Mac Home Possible Programs – The Freddie Mac programs provide low down payment mortgage options for low- and moderate-income borrowers. Since the last CRA exam, the bank originated 14 loans totaling \$1,292,120.
- “Assist” Program – This homebuyer assistance program provides up to 4.25% of the purchase price for first time homebuyers and include purchase price and income limits on eligibility. Since the last CRA exam, the bank originated seven loans totaling \$551,542.
- First Time Home Buyer Program – The Illinois Housing Development Authority program features low interest rates, up to \$1,000 for down payment assistance, and purchase price and income limits on eligibility. The bank originated one loan for \$123,975 since the last CRA exam.

Commercial Loans

Lending to businesses of different sizes is excellent. FNB Rochelle’s lending to businesses in their AA with gross annual revenues of \$1 million or less exceeded the percentage of businesses located in their AA with gross annual revenues of \$1 million or less. See table 5 below.

Table 5- Borrower Distribution of Loans to Businesses			
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Total
% of AA Businesses	69.25	31.75	100
% of Bank Loans in AA by #	78.26	21.74	100
% of Bank Loans in AA by \$	78.72	21.28	100

**From sample of 30 commercial loans made during 2006 and 2007. Twenty-three of these loans were in the bank's AA.*

Geographic Distribution of Loans

FNB Rochelle did not have any census tracts in the AA that were low- to moderate-income. Therefore, specific analysis of geographic distribution is not meaningful.

CD Services

It was noted by our community contacts that FNB Rochelle's outreach efforts have made a favorable impact in their AA. The contacts stated that bank management has demonstrated a willingness to assist in meeting the credit needs of their community.

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.

Fair Lending or Other Illegal Credit Practices Review

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