



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 13, 2002

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
Chicago West Field Office
85 West Algonquin Road, Suite 340
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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.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of The First National Bank and Trust Company of Rochelle, Rochelle, Illinois, as prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 13, 2002. The agency rates the CRA Performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated "outstanding."

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

- The loan to deposit ratio is more than reasonable.
- The bank makes a majority of its loans in its assessment area.
- The bank's distribution of loans reflects excellent penetration among individuals of different income levels and businesses of different sizes.

DESCRIPTION OF INSTITUTION

FNB Rochelle is a \$153 million intrastate 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 in Rochelle, Illinois. In addition, there are two other offices in Rochelle and one in Ashton, Illinois. Each Rochelle location has an ATM. In addition, the bank has an ATM in the local Eagle grocery store, a local Sullivan Foods grocery store, Kishwaukee College and another in a Casey's convenience store in Ashton.

As of December 31, 2001, FNB Rochelle had approximately \$77 million in outstanding net loans and deposits of approximately \$137 million, for a net loan-to-deposit ratio of 56 percent. The bank's gross loan portfolio consisted of the following*:

Loan Category	\$(000s)	percent
Agriculture Loans	\$15,268	20.97
Consumer Loans	\$10,712	14.72
Commercial Loans	\$17,395	23.90
Residential Real Estate Loans	\$29,410	40.41
Total Gross Loans	\$72,785	100.0

*From 12/31/01 Call Report

The last public evaluation was dated July 25, 1997. The bank received a "satisfactory" rating.

There are no financial conditions, legal constraints or other factors that would hinder its ability to meet the credit needs of its community.

DESCRIPTION OF ASSESSMENT AREA

The bank has one assessment area (AA) that comprises a portion of the Rockford Metropolitan Statistical Area (Rockford MSA). Within the Rockford MSA, the AA is comprised of three Census Tracts (CT) in Ogle County. In mid 2001, the bank purchased two former AMCORE Bank branches. One of the branches is located in the southern portion of Rochelle. The other is located in Ashton, Illinois, part of Lee County. As such, the bank's AA also includes one Block Numbering Area (BNA) in Lee County. Lee County is not part of an MSA. As the Ashton facility has only been part of the bank for such a short period of time, a separate analysis of lending in this area would not be meaningful. Instead, the focus of this review will be on the bank's lending within the CT's located in Ogle County. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The total population of the AA is 12,790 based on 1990 census data. The AA contains three geographies, with no low-income, no moderate-income, three (100 percent) middle-income, and no upper-income areas. The 1990 median family income of the AA was \$34,026 and the 2000 HUD adjusted median family income was \$57,100. The AA contains 16.63 percent, 23.68 percent, 29.73 percent and 29.96 percent of low- moderate-, middle- and upper-income families, respectively. Seventy seven percent of the housing in the AA were 1-4 family units with 60

percent owner-occupied. The median home value was \$56,184.

The 2001 unadjusted seasonal unemployment rates for Ogle County was 5.4 percent. Major employers in the AA are Rochelle Foods, Exelon and Quebecor Printing.

Many financial institutions serve the AA. According to the Federal Deposit Insurance Corporation database, 13 banks and savings associations operate 26 locations in Ogle County with deposits totaling \$755 million as of June 30, 2001. FNB Rochelle’s deposits totaled \$137 million.

We conducted two community contact interviews during our evaluation. The contacts stated that a major credit need is loans to small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The evaluation of the bank’s lending performance is based upon the review of its residential real estate and commercial loans, as these are the bank’s primary lending products. To review residential loans, we used the bank’s Home Mortgage Disclosure Act (HMDA) Loan Application Register. To evaluate lending to commercial business borrowers, we took a sample of 26 loans made during 2000 and 2001.

Loan-to-Deposit Ratio

The bank’s loan-to-deposit (LTD) ratio is more than reasonable. The quarterly average LTD ratio since the last evaluation is 59 percent. The quarterly average LTD ratio of peer banks during the same period ranged from 35 percent to 72 percent, with an average ratio of 54 percent. The peer bank group consisted of small community banks located in the bank’s AA.

The bank sells a large number of mortgage loans to the secondary market. As of April 2002, there were 580 loans sold representing \$43 million, which is not included in the bank’s ratio above. When adding back the \$43 million, the bank’s adjusted LTD ratio rises to 88 percent.

Lending in Assessment Area

A majority of the bank’s loans are made in the bank’s AA. The following table details the bank’s lending within the AA by number of loan originations and dollar volume since its’ last CRA evaluation.

Loans Originated in Assessment Area						
Loan Type	# in AA	\$ in AAs	Total #	Total \$	Percent # in AAs	Percent \$ in AAs
		(000 omitted)		(000 omitted)		
Home Purchase*	261	\$21,149	352	\$29,291	74.15%	72.20%
Home Refinance*	484	\$35,904	658	\$49,927	73.56%	71.91%
Home Improve*	85	\$1,711	122	\$2,307	69.67%	74.17%
Total *	830	\$58,764	1132	\$81,525	73.32%	72.08%
Business/Commercial***	21	\$1,784	26	\$2,031	80.77%	87.84%

* Represents loans originated in, 1998, 1999, 2000 and 2001 as reported under the Home Mortgage Disclosure Act.
 *** Represents sample of loans selected that were originated during 2000 and 2001.

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

HMDA Loans

The bank's distribution of HMDA loans reflects an excellent penetration among individuals of different income levels. The distribution is impressive when reviewing the bank's market share. FNB Rochelle's market share is strong. It ranks first in terms of both dollar amount and number of loans to low- and moderate-income borrowers. For low-income borrowers, the bank ranked first (with another institution) out of eighteen lenders with a 20 percent market share. For moderate-income borrowers, the bank ranked first out of forty lenders with a 20 percent market share. Loans originated to moderate-income borrowers were 2 ½ times that of the institution ranked second.

As noted in the table below, the bank made 7 percent of its mortgage loans to low-income families. Although the AA contains 16 percent low-income families, 9 percent of the families in the AA are below poverty level. It is more difficult for these credit applicants to qualify for credit based on prudent underwriting standards. Lending to moderate-income families is comparable to the percentage of moderate-income families in the AA.

Borrower Income Level	Percentage of HMDA Loans								Percentage of Families in AA
	Home Purchase*		Home Improvement*		Home Refinance*		All Mortgage Loans*		
	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	
Low	6.90	4.08	8.24	5.49	7.44	3.65	7.35	3.86	16.63%
Moderate	25.29	21.28	27.06	17.59	19.83	14.56	22.29	17.07	23.68%
Middle	41.38	40.22	36.47	36.70	30.17	29.34	34.34	33.47	29.73%
Upper	25.29	32.94	25.88	39.68	39.66	49.21	33.73	43.08	29.96%
Not Avail.	1.14	1.48	2.35	.54	2.90	3.24	2.29	2.52	

#- Represents the number of loans by percentage.

\$- Represents the dollar of loans by percentage.

* Represents loans originated in 1998, 1999, 2000 and 2001 as reported under the Home Mortgage Disclosure Act.

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 56 loans for \$4,270,985 under these programs, as follows:

- First Time Home Buyer Program – This Illinois Housing Development Authority (IHDA) program features lower interest rates, up to \$1,000 for down payment assistance, and purchase price and income limits on eligibility. The bank originated four loans totaling \$222,200 under this program since last CRA exam.
- Partnership for Home Ownership Foundation – This IHDA/USDA first-time homebuyer

program features a subsidized interest rate, minimal (\$1,000) down payment requirement, and income and purchase price limits. Loan officers must be certified every two years to participate in this program (all four of the bank’s mortgage lenders are certified). Limited funds are available to financial institutions under this program. The bank originated four loans totaling \$325,300 under this program since the last CRA exam.

- “Assist” Program – This homebuyer assistance program provides up to 4.25% of the purchase price for first time homebuyers and includes purchase price and income limits on eligibility. The bank is the only financial institution in its AA that offers this program. Since the last CRA exam, the bank originated 31 loans totaling \$2,328,735.
- Rural Development Program – This USDA program is a no down payment consumer mortgage. Eligibility is based on income and number of family members. Since the last CRA exam, the bank originated 17 loans totaling \$1,394,750.

Commercial Loans

The bank’s distribution of commercial loans reflects excellent penetration among businesses of different sizes. In the bank’s AA, 95 percent of the businesses have gross revenues of \$1 million or less. The bank’s lending to businesses with gross revenues of \$1 million or less exceeds the percentage of businesses in the AA defined as such.

Lending to Businesses of Different Sizes*								
Revenue Ranges	\$1 Million or Less				Greater than \$1 Million			
	#	Percent	\$ (000s)	Percent	#	Percent	\$ (000s)	Percent
Total	21	100%	1,784	100%	0	0	0	0

*From sample of 26 commercial loans made during 2000 and 2001. Twenty-one of these loans were in the bank’s AA.

Geographic Distribution of Loans

All census tracts within the bank’s AA are middle income. Therefore, specific analysis of geographic distribution is not meaningful.

Responses to Complaints

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

Fair Lending Review

An analysis of recent public comments, consumer complaint information, and HMDA lending data was performed according to the OCC’s risk based fair lending approach. Based on our analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.