



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 22, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Arenzville
Charter Number 9183

110 S. Charles Street
Arenzville, Illinois 62611

Office of the Comptroller of the Currency

Peoria Field Office
One Technology Plaza
211 Fulton Street Suite 602
Peoria, Illinois 61602

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:
First National Bank of Arenzville (FNB) is rated Satisfactory.**

The Lending Test is rated Satisfactory.

The major factors that support FNB's rating include:

- The distribution of loans to borrowers of different income levels is reasonable and distribution of loans to farms and businesses of different sizes reflects excellent penetration.
- The geographic distribution of home loans among the census tracts in the assessment area reflects reasonable dispersion.
- A majority of the loans originated by FNB are to borrowers inside its AA.
- FNB's quarterly average loan-to-deposit ratio of 73 percent over the evaluation period is reasonable.

Scope of Examination

We evaluated FNB under the Small Bank examination procedures, which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities.

The lending test for FNB covers its performance from January 1, 2011 through December 31, 2012, as this is representative of its lending strategy since the previous CRA examination. The evaluation period is from the previous CRA examination, August 1, 2006, through April 22, 2013.

FNB's primary loan products are residential, agriculture, and commercial loans. The bank is not located in a Metropolitan Statistical Area and is not required to report data under the requirements of the Home Mortgage Disclosure Act (HMDA).

FNB is not required to maintain revenue information on residential, agriculture, and commercial loans outside of the individual credit files. Thus, we sampled loans originated and purchased. We compared loans originated and purchased in 2011 to the 2000 census information and loans originated and purchased in 2012 to the 2010 census information.

Description of Institution

FNB is a \$69 million intrastate financial institution located in rural Cass County in West Central Illinois, approximately twenty miles northwest of Jacksonville and sixty miles east of Quincy. The main office is located at 110 South Charles Street, Arenzville, Illinois. There are two branch offices located in Morgan County at 1904 South Main, Jacksonville, Illinois (referred to as the South Jackson branch) and 1839 West Morton, Jacksonville, Illinois, which was added since the previous CRA examination. Each location is equipped with drive-up facilities and an Automated Teller Machine (ATM).

The bank is a wholly owned subsidiary of Arenzville Bancorp, a one-bank holding company headquartered in Arenzville, Illinois. As of December 31, 2012, the holding company had total assets of \$69 million. The holding company does not own any other subsidiaries and it does not negatively impact the bank's ability to meet the credit needs of the community.

FNB's strategy is to provide financial products and services to meet the needs of the customers in the communities they serve, with an emphasis on the Arenzville and Jacksonville areas. FNB's mission is to deliver exceptional service while making sound business decisions that balance the interests of their customers, employees, owners, and communities.

FNB's three primary lending products are residential real estate loans, agriculture loans, and commercial loans. These three lending categories account for 90 percent of loans originated and purchased from January 1, 2011 to December 31, 2012. We used these three lending products for the analysis of this evaluation. Consumer lending and other lending are not a primary loan product, accounting for the remaining 10 percent of the loans originated and purchased during this period.

Loan Originations by Loan Type from January 1, 2011 through December 31, 2012				
Loan Category	Dollars (000s)	% of Dollars	Number of Loans	% of Number of Loans
Residential Loans	\$ 20,652	33.34%	220	15.67%
Agriculture Loans	\$ 19,185	30.98%	188	13.39%
Commercial Loans	\$ 15,753	25.44%	313	22.29%
Consumer Loans	\$ 6,118	9.88%	679	48.36%
Other Loans	\$ 225	0.36%	4	0.29%
Total Originations	\$ 61,933	100%	1,404	100%

Source: Bank Records from January 1, 2011 – December 31, 2012.

As of December 31, 2012, FNB reported net loans of \$48 million and had a net loans and leases to total assets ratio of 68 percent. The loan portfolio composition is as follows:

Loan Portfolio Summary by Loan Product December 31, 2012		
Loan Category	Dollars Outstanding (000s)	% of Outstanding Dollars
Residential Loans	\$ 12,509	26%
Agriculture Loans	\$ 14,934	31%
Commercial Loans	\$ 15,806	33%
Consumer Loans	\$ 4,503	10%
Total Loans	\$ 47,752	100%

Source: Call Report December 31, 2012.

There are no legal or financial impediments to FNB’s ability to meet the credit needs of its AA. The bank was rated Satisfactory at its previous CRA examination dated July 31, 2006.

Description of Assessment Area

FNB has one AA in West Central Illinois, which includes all of Cass and Morgan Counties. The AA is unchanged since the previous examination. The AA includes fifteen census tracts (CT), five in Cass County and ten in Morgan County. In 2011, using 2000 U.S. Census Data, there were no CTs designated as low-income, two CTs (one in Cass County and one in Morgan County) designated as moderate-income, while the remaining thirteen CTs were designated as middle- or upper-income areas. In 2012, using 2010 U.S. Census Data, there were no CTs designated as low-income, four CTs (two in Cass County and two in Morgan County) designated as moderate-income, while the remaining eleven CTs were designated as middle- or upper-income areas. FNB’s assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2000 and 2010 U.S. Census data shows that the AA does not include any low-income CTs.

2011 Demographic Information for Full Scope Area: Arenzville IL AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	15	0.00	13.33	80.00	6.67
Population by Geography	50,311	0.00	12.52	78.29	9.19
Owner-Occupied Housing by Geography	13,883	0.00	10.55	78.79	10.66
Business by Geography	4,373	0.00	10.68	78.18	11.14
Farms by Geography	514	0.00	1.95	92.61	5.45
Family Distribution by Income Level	13,040	16.32	19.85	24.35	39.48
Distribution of Low and Moderate Income Families throughout AA Geographies	4,717	0.00	17.34	77.49	5.17
Median Family Income		43,613	Median Housing Value		68,638
HUD Adjusted Median Family Income for 2011		56,600	Unemployment Rate (2000 US Census)		3.03%
Households Below Poverty Level		10%			

Source: 2000 US Census and 2011 HUD updated MFI

2012 Demographic Information for Full Scope Area: Arenzville IL AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	15	0.00	26.67	53.33	20.00
Population by Geography	49,189	0.00	23.69	52.63	23.68
Owner-Occupied Housing by Geography	13,464	0.00	17.46	54.08	28.46
Business by Geography	4,053	0.00	23.14	54.23	22.63
Farms by Geography	499	0.00	5.61	76.95	17.43
Family Distribution by Income Level	12,686	19.54	17.37	20.45	42.64
Distribution of Low and Moderate Income Families throughout AA Geographies	4,725	0.00	21.10	52.76	26.14
Median Family Income		54,549	Median Housing Value		90,671
FFIEC Adjusted Median Family Income for 2012		57,400	Unemployment Rate (2010 US Census)		31.99%
Households Below Poverty Level		14%			

Source: 2010 US Census and 2012 FFIEC updated MFI

The local economy is still experiencing the effects of the recent economic downturn. We contacted the president of a local economic development organization. The contact stated that the area has lost some industries in the past five years, which resulted in job losses. Major employers include the local hospital, Reynolds Consumer Products, community schools, local prison, and city and county governments. The unemployment rate based on 2000 US Census data was 3.03 percent.

Competition for financial services within the AA is primarily from several state-chartered banks and a few national banks that serve the same communities and have a similar business focus. Competition at the bank's Jacksonville branches is greater than the Arenzville branch, as this is a larger community with more financial institutions.

The contact indicated the largest credit need in the AA is agriculture loans. The contact could not identify any credit products needed in the community that are not being offered by local financial institutions. Overall, the contact feels that FNB is very responsive in serving the community's financial needs.

Conclusions with Respect to Performance Tests

FNB meets the standards for satisfactory performance.

LENDING TEST

Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. FNB's quarterly average loan-to-deposit ratio for the period June 30, 2006 to December 31, 2012 was 73 percent. FNB had a quarterly low of 56 percent and a quarterly high of 98 percent.

FNB's loan-to-deposit ratio compares favorably with other community banks of similar size, location, and product offerings. FNB ranks third among seven similarly situated banks serving its AA. The quarterly average loan-to-deposit ratio for the other six banks over the same period ranged from 61 percent to 80 percent. The similarly situated banks used for comparison are community banks located in Cass and Morgan County and range in asset size from \$42 million to \$190 million.

Lending in Assessment Area

A majority of the loans originated by FNB are to borrowers inside its AA. FNB's lending to customers within the AA for all primary loan types is reasonable. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

Lending in the Assessment Area										
Loan Product	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	43	90%	5	10%	48	\$3,752	88%	\$520	12%	\$4,272
Agriculture	48	84%	9	16%	57	\$7,283	71%	\$2,926	29%	\$10,209
Commercial	49	89%	6	11%	55	\$11,577	96%	\$529	4%	\$12,106
Total	140	88%	20	12%	160	\$22,612	85%	\$3,975	15%	\$26,587

Source: Bank records for residential, agriculture, and commercial lending in 2011 and 2012.

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

FNB's lending reflects reasonable penetration among individuals of different income levels and farms and business of different sizes, given the demographics of the AA. Agriculture loans were identified as the largest credit need in the AA.

Residential Loans

The distribution of residential loans to borrowers of different income levels during 2011 reflects reasonable penetration. FNB exceeds the demographic comparator for lending to low-income families within the AA. Residential lending to moderate-income individuals within the AA is significantly below the demographic comparator during the same period.

2011 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
Residential RE	16.32	19.05	19.85	0	24.35	28.57	39.48	52.38

Source: Residential Real Estate loan data sampled for 2011; 2000 Census Data.

The distribution of residential loans to borrowers of different income levels during 2012 reflects reasonable penetration. Lending to low- and moderate-income families within the AA is below the demographic comparator; however, this is mitigated by the AA's 14 percent poverty rate in 2012.

2012 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
Residential RE	19.54	9.09	17.37	13.64	20.45	36.36	42.64	40.91

Source: Residential Real Estate loan data sampled for 2012; 2010 Census Data.

Agriculture Loans

The distribution of loans to farms reflects excellent penetration among farms of different sizes. The bank originated 100 percent of agriculture loans to small farms during 2011. Small farms are farms with gross annual revenues of one million dollars or less. This is considered excellent compared to demographic data that shows 98 percent of farms in the AA are considered small farms. The following table shows the distribution of agriculture loans among different sized farms within the AA originated during 2011.

2011 Borrower Distribution of Loans to Farms of Different Sizes				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farm	98%	0.3%	1.7%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Agriculture loan data sampled for 2011; 2011 Business Geodemographic data.

The bank originated 100 percent of agriculture loans to small farms during 2012. This is considered excellent penetration compared to demographic data that shows 99 percent of farms in the AA are considered small farms. The following table shows the distribution of agriculture loans among different sized farms within the AA originated during 2012.

2012 Borrower Distribution of Loans to Farms of Different Sizes				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farm	98.6%	0.8%	0.6%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Agriculture loan data sampled for 2012; 2012 Business Geodemographic data

Commercial Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes during 2011. FNB originated 100 percent of commercial loans to small businesses during 2011. Small businesses are businesses with gross annual revenues of one million dollars or less. This is considered excellent compared to demographic data that shows 68 percent of the businesses in the AA are considered small businesses. The following table shows the distribution of commercial loans among differed sized businesses within the AA originated during 2011.

2011 Borrower Distribution of Loans to Businesses of Different Sizes				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	68%	3%	29%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Commercial loan data sampled for 2011; 2011 Business Geodemographic data.

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes during 2012. FNB originated 100 percent of commercial loans to small businesses during 2012. This is considered excellent compared to demographic data that shows 71 percent of businesses in the AA are considered small businesses. The following table shows the distribution of commercial loans among different sized businesses within the AA originated during 2012.

2012 Borrower Distribution of Loans to Businesses of Different Sizes				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	71%	4%	25%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Commercial loan data sampled for 2012; 2012 Business Geodemographic data

Geographic Distribution of Loans

Performance in the AA

The geographic distribution of loans reflects reasonable dispersion among the CTs of the AA. Dispersion of agricultural and commercial loans is poor, however, the distance between FNBs facilities and the moderate-income CTs is the reason for the lower

volume of lending in those areas. Also, the moderate-income CTs are located in Beardstown and Jacksonville, where there are larger financial institutions, which provides greater competition for FNB and fewer lending opportunities.

Residential Loans

The geographic distribution of residential loans reflects poor dispersion during 2011. FNB is significantly below the demographic comparator for lending to moderate-income CTs within the AA. The following table shows the geographic distribution of residential loans to borrowers during 2011.

2011 Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential RE	N/A	N/A	10.55	0	78.79	90.48	10.66	9.52

Source: Residential Real Estate loan data sampled for 2011; 2000 Census Data.

The geographic distribution of residential loans reflects reasonable dispersion during 2012. FNB is near the demographic comparator for lending to moderate-income CTs within the AA. The following table shows the geographic distribution of residential loans to borrowers during 2012.

2012 Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential RE	N/A	N/A	17.46	13.64	54.08	63.64	28.46	22.73

Source: Residential Real Estate loan data sampled for 2012; 2010 Census Data.

Agriculture Loans

The geographic distribution of agriculture loans reflects reasonable dispersion during 2011. FNB is near the demographic comparator for lending to farms located in moderate-income CTs within the AA. The following table shows the geographic distribution of agriculture loans to farms during 2011.

2011 Geographic Distribution of Loans to Farms								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Agriculture	N/A	N/A	1.95	0	92.61	96.15	5.45	3.85

Source: Agriculture loan data sampled for 2011; 2011 Business Geodemographic data.

The geographic distribution of agriculture loans reflects poor dispersion during 2012. FNB is below the demographic comparator for lending to farms located in moderate-income CTs within the AA. The 2012 Business Geodemographic Data shows that there were 27 farms in the moderate-income CTs during that year. The following table shows the geographic distribution of agriculture loans to farms during 2012.

2012 Geographic Distribution of Loans to Farms								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Agriculture	N/A	N/A	5.61	0	76.95	86.36	17.43	13.64

Source: Agriculture loan data sampled for 2012; 2012 Business Geodemographic data.

Commercial Loans

The geographic distribution of commercial loans reflects poor dispersion during 2011. FNB is significantly below the demographic comparator for lending to businesses located in moderate-income CTs within the AA. The following table shows the geographic distribution of commercial loans to businesses during 2011.

2011 Geographic Distribution of Loans to Businesses								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Business	% of Number of Loans
Commercial	N/A	N/A	10.68	0	78.18	91.67	11.14	8.33

Source: Commercial loan data sampled for 2011; 2011 Business Geodemographic data.

The geographic distribution of commercial loans reflects poor dispersion during 2012. FNB is significantly below the demographic comparator for lending to businesses located in moderate-income CTs within the AA. The following table shows the geographic distribution of commercial loans to businesses during 2012.

2012 Geographic Distribution of Loans to Businesses								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Business	% of Number of Loans
Commercial	N/A	N/A	23.14	4	54.23	48	22.63	48

Source: Commercial loan data sampled for 2012;2012 Business Geodemographic data.

Responses to Complaints

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