



## **PUBLIC DISCLOSURE**

August 25, 2014

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

First National Bank of Beardstown  
Charter Number: 3640

300 Washington Street  
Beardstown, Illinois 62618

Office of the Comptroller of the Currency

211 Fulton Street  
Suite 604  
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: This institution is rated Satisfactory**

**The Lending Test is rated: Satisfactory**

- The quarterly average loan-to-deposit (LTD) ratio over the evaluation period is reasonable.
- A majority of the loans originated are to customers within the bank's assessment area (AA).
- The distribution of loans to farms of different sizes and borrowers of different income levels reflects reasonable penetration.
- The geographic distribution of agriculture and residential loans reflects reasonable dispersion.

**SCOPE OF EXAMINATION**

This Performance Evaluation assesses First National Bank of Beardstown's (FNB's or bank'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 the bank's record of helping to meet the credit needs of its assessment area through its lending activities.

The evaluation covers the period from the date of the previous Community Reinvestment Act Performance Evaluation (CRA PE) of February 17, 2009, through August 25, 2014. The rating of the previous CRA PE was satisfactory.

We based the lending test on the primary loan products for the bank's AA, based on volume of loan originations from January 1, 2012, through December 31, 2013. We based our conclusion regarding the lending performance on the agriculture and residential real estate loans originated from January 1, 2012, through December 31, 2013, utilizing 2010 U.S. Census data.

FNB is not located in a Metropolitan Statistical Area and is not subject to the requirements of the Home Mortgage Disclosure Act (HMDA). The bank is not required to maintain income information on residential and agriculture loans outside of the individual credit files. Thus, we reviewed a sample of residential and agriculture loans originated during the evaluation period.

**DESCRIPTION OF INSTITUTION**

FNB is a \$102 million community bank located along the Illinois River in Cass County in Central Illinois, approximately 45 miles northwest of Springfield, Illinois. The main office is located in downtown Beardstown and includes a drive-up facility and ATM. There is an additional ATM located on the southern side of Beardstown. There is one branch located in Murrayville, Illinois, and one in Winchester, Illinois, each equipped with a drive-up facility and ATM.

While FNB's lending strategy is primarily focused on agriculture, the bank also offers additional lending products that include commercial, residential, and consumer loans.

Since the previous CRA evaluation, FNB acquired two new branch offices: one in Winchester, Illinois, on West Cherry Street; and one in Murrayville, Illinois, on East Purcell. The bank acquired these branches on July 2, 2009, when FNB purchased the First State Bank of Winchester. These branches have expanded FNB's lending area from Cass and Schuyler counties into Scott, Morgan, Greene, and Pike counties. No branches have closed since the previous evaluation.

FNB has two primary lending products: agricultural and residential real estate loans. Agricultural and residential lending account for 71 percent of all loan originations during the evaluation period and comprise 72 percent of the outstanding loan balances as of June 30, 2014. The bank reported approximately \$76 million in outstanding loans as of June 30, 2014. The loan portfolio consists of the following:

<b>Table 1 – Loan Portfolio Summary by Loan Type As of June 30, 2014</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Agriculture Loans	\$ 35,583	47.02%
Residential Loans	\$ 18,887	24.96%
Consumer Loans	\$ 11,496	15.19%
Commercial Loans	\$ 9,713	12.83%
<b>Total Loans</b>	<b>\$ 75,679</b>	<b>100%</b>

Source: June 30, 2014 Call Report

The bank is a wholly owned subsidiary of Mascouten Bancorp, Inc., a single bank holding company headquartered in Beardstown, IL. The holding company had total assets of \$108 million as of December 31, 2013. The holding company does not own any additional subsidiaries and does not negatively impact the bank's ability to meet the credit needs of the community.

There are no legal or financial circumstances impeding the bank's ability to meet the credit needs of its AA.

## **DESCRIPTION OF ASSESSMENT AREA**

The AA includes 13 census tracts (CTs) across six counties. Specifically, the AA include four CTs in Cass County (two moderate- and two middle-income CTs), two CTs in Morgan County (one middle- and one upper-income CT), one CT in Pike County (middle-income CT), two CTs in Schuyler County (middle-income CTs), two CTs in Scott County (middle-income CTs), and two CTs in Greene County (one moderate- and one middle-income CT). The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Competition for financial services within the AA is strong and comes primarily from several state and nationally chartered community banks. FNB held a 3.99 percent deposit market share across the six counties at June 30, 2013.

Agriculture dominates the local economy and is reasonably stable. Although corn prices are expected to decline this year, crop yields are expected to be near record highs. Unemployment rates in Cass, Greene, and Morgan counties were 7 percent, 7.3 percent, and 7.2 percent, respectively, as of July 2014. These compare unfavorably to the State of Illinois unemployment rate of 6.8 percent, while Pike, Schuyler, and Scott counties compared favorably at 6 percent, 6.7 percent, and 6.8 percent, respectively.

We contacted a local elected official in Beardstown, IL. The official mentioned that the local economy relies heavily on agriculture. He also stated the primary employers in the Beardstown area are a pork processing plant and the local school district. The official mentioned that Beardstown, IL, has a growing population of immigrant workers. The official had a positive opinion of FNB and stated they meet the credit and banking needs of the local community. He also mentioned that there is a growing need for housing developments in the area.

The following table includes additional demographic information for the assessment area:

<b>Table 2 - Demographic Information for the Assessment Area</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	13	0%	23%	69%	8%
Population by Geography	36,780	0%	19%	72%	9%
Owner-Occupied Housing by Geography	11,023	0%	16%	75%	9%
Businesses by Geography	2,129	0%	17%	75%	8%
Farms by Geography	544	0%	7%	85%	8%
Family Distribution by Census Tract	10,110	0%	18%	73%	9%
Family Distribution by Income Level	10,110	20%	19%	23%	38%
Distribution of Low and Moderate Income Families throughout AA Geographies	3,877	0%	24%	71%	5%
Median Family Income	\$54,549	Median Housing Value			\$76,996
Median Household Income	\$45,070	Median Year Built			1959
2013 HUD Adjusted Median Family Income for Illinois Non-MSA	\$56,200	Average Monthly Gross Rent			\$561
Families Below the Poverty Level	10%	Households Below the Poverty Level			13%

Source: 2010 U.S. Census Data and 2013 HUD updated MFI

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB meets the standards for Satisfactory performance.

### Loan-to-Deposit Ratio

FNB's average LTD ratio is reasonable given the bank's asset size, financial condition, and credit needs of the AA. FNB's quarterly LTD ratio averaged 78 percent over 22 quarters from March 31, 2009, to June 30, 2014, with a low of 72 percent and a high of 84 percent. FNB's average LTD ranks fourth among the 13 other similarly situated institutions, which range in asset size from \$39 million to \$201 million. The 13 similarly situated institutions are community banks located in Brown, Cass, Scott, Schuyler, Morgan, and Pike counties. These institutions had an overall average LTD of 69 percent, with individual bank averages ranging between 38 percent and 95 percent.

### Lending in Assessment Area

The majority of loans originated by FNB during the evaluation period, by both number and dollar volume, were to customers within its AA.

<b>Table 3 - Lending in the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Agricultural Loans	207	85.19%	36	14.81%	243	39,088	88.29%	5,182	11.71%	44,270
Residential Loans	290	84.80%	52	15.20%	342	18,541	80.40%	4,519	19.60%	23,060
Totals	497	84.96%	88	15.04%	585	57,629	85.59%	9,701	14.41%	67,330

Source: Bank records of loans originated between January 1, 2012 and December 31, 2013

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

The lending to borrowers of different incomes and to farms of different sizes reflects reasonable penetration.

#### Agriculture

The distribution of agriculture loans by dollar is poor. However, this is mitigated by the limited opportunity for small farm lending. Farms in the AA are primarily corn and soybean farms. Due to the market environment and recent years of family farm consolidation, corn and soybean farming operations have become much larger than in prior years. Performance under this criterion is reasonable.

<b>Table 4 - Borrower Distribution of Loans to Farms in AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.9%	0.74%	0.37%	100%
% of Bank Loans in AA by #	66.00%	34.00%	0.00%	100%
% of Bank Loans in AA by \$	25.17%	74.83%	0.00%	100%

Source: Agriculture loan sample and 2013 Geodemographic business data

**Residential**

The distribution of loans to borrowers of different income levels reflects excellent penetration throughout the AA, including low- and moderate-income borrowers.

<b>Table 5 - Borrower Distribution of Residential Real Estate Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	19.84%	20.00%	18.51%	26.00%	23.29%	26.00%	38.36%	28.00%

Source: Residential RE loan sample and 2013 Geodemographic data

**Geographic Distribution of Loans**

The geographic distribution of agriculture and residential loans reflects reasonable dispersion.

**Agriculture**

The geographic distribution of agriculture loans reflects poor dispersion. This is mitigated as the moderate-income CTs in the AA are predominantly residential areas with limited opportunity for agriculture lending. There are no low-income CTs in the AA. Performance under this criterion is reasonable.

<b>Table 6 - Geographic Distribution of Loans to Farms in AA</b>								
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
Agricultural	0.00%	0.00%	7.17%	4.00%	84.74%	78.00%	8.09%	18.00%

Source: Agriculture loan sample and 2013 Geodemographic business data

Residential

The geographic distribution of residential loans reflects excellent dispersion throughout the AA, including moderate-income CTs. There are no low-income CTs in the AA.

<b>Table 7 - Geographic Distribution of Residential Real Estate Loans in AA</b>								
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	0.00%	0.00%	15.68%	46.00%	74.90%	50.00%	9.43%	4.00%

Source: Residential RE loan sample and 2013 Geodemographic data

**Responses to Complaints**

FNB Beardstown did not receive any complaints during the 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.