



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 28, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Nokomis
Charter Number 14436**

**122 West State Street
Nokomis, IL 62075**

**Comptroller of the Currency
Peoria Field Office
111 West Washington Street, Suite 300
East Peoria, IL 61611**

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 that support this rating are:

- A substantial majority of the bank's loans extended during this evaluation period were originated within the bank's assessment area (AA).
- The bank's lending to borrowers of different incomes and farms of different sizes meets the standard for satisfactory performance.
- The bank's average loan-to-deposit ratio over the past four years is reasonable.
- The geographic distribution of loans meets the standard for satisfactory performance.

DESCRIPTION OF INSTITUTION

First National Bank (FNB) of Nokomis is 100% owned by First Nokomis Bancorp, a one-bank holding company located in Nokomis, Illinois. As of December 31, 2002, FNB had total assets of \$87 million, net loans of \$55 million, total deposits of \$75 million, and total risk based capital of \$10 million. There are no active subsidiaries or affiliates.

FNB is primarily a farm and residential real estate lender that operates two offices which include automated teller machines (ATM). The main office is located in Nokomis, Illinois. In 1996, the holding company acquired the Ayars State Bank in Moweaqua, Illinois; in July 2000, the two banks merged under a single national charter. Management did not close any branches during this evaluation period.

FNB offers traditional bank services and loan products normally associated with a community bank. As of December 31, 2002, net loans totaled \$55 million, representing 63% of total assets. The loan portfolio consisted of 39% farm real estate/agriculture production, 30% residential real estate, 19% commercial real estate/business, 9% consumer, and 2% other loans.

There are no legal or financial constraints placed on the bank's ability to help meet the community credit needs. The bank has adequate resources to provide for the credit needs of its assessment area. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community. The bank was rated Satisfactory at its last CRA evaluation, dated December 28, 1998.

DESCRIPTION OF ASSESSMENT AREA

Management designated portions of Montgomery, Fayette, Shelby and Christian Counties as its assessment area. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The entire AA includes 11 census tracts (CTs). Based on the 1990 State of Illinois non-MSA median family income, 10 CTs or 91% are classified as middle-income and 1 CT or 9% is classified as moderate-income. There were no low- or upper-income CTs. For additional information, please refer to the bank's public file.

Total population of the AA per the 1990 Census data is 40,313, with Nokomis at 2,534 and Moweaqua at 2,000. The total population included 11,130 families. Of these families, 2,303 or 21% were classified as low-income, 2,093 or 19% as moderate-income, 2,829 or 25% as middle-income, and 3,905 or 35% as upper-income. The non-MSA statewide median family income as of the 1990 Census was \$29,693. The 2002-updated figure, adjusted for inflation by the Department of Housing and Urban Development, is \$46,700. We used the 2002-updated figure to determine borrower income levels.

Economic conditions across the AA have been mixed: The August 2004 unemployment rates were 7.4% for Montgomery County, 7.5% for Fayette County, 6.1% for Shelby County, and 5.2% for Christian County, compared to the State of Illinois rate of 6.1% and the national rate of 5.4%. The area depends primarily on agriculture and related small service industries. Major employers in the AA include Ronk Electric, Material Service Rock Quarry, Moweaqua Nursing & Retirement Home, and various banks, including FNB Nokomis.

Strong competition comes primarily from larger financial institutions located in nearby Pana, Hillsboro, and Raymond. Numerous local, state, and national lenders of various types also provide competition. The bank's business strategy is to remain competitive with the other financial institutions in the AA and serve the community's loan needs.

During our evaluation, we contacted members of the community to better understand the credit needs of the AA. Based on this information, we found FNB effectively meets the community's credit needs. Residential real estate and farm loans were the primary credit needs identified. Our contact did not identify any unmet credit needs. The contact acknowledged good participation from all banks in the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable. As of December 31, 2002, the bank's LTD ratio was 72%. FNB's quarterly average LTD ratio since the 1999 CRA evaluation was 68%. This ratio compares favorably with ratios ranging from 66% to 81% for six similarly situated

banks in the area. These banks are considered similarly situated because of their size, location, and lending opportunities.

Lending in Assessment Area

A substantial majority of the bank’s loans extended during this evaluation period were originated within the bank’s assessment area. A sample of 20 residential real estate loans and 20 farm loans indicated 88% by number and 90% by dollar were made within the bank’s assessment area. This performance is positively factored into the overall analysis of the geographic distribution of lending by income level of geographies.

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

FNB’s lending reflects a good dispersion among borrowers of different income levels and an adequate dispersion among farms of different sizes. Lending levels, as shown by the volume of all loans generated, reflect good responsiveness to the credit needs of the assessment area.

Using only loans made in the AA, we sampled 20 residential real estate loans and 20 farm-related loans originated from January 1, 2000 through December 31, 2002. Residential real estate loans were not differentiated by type, i.e., home purchase, refinancing, and home improvement, because that information was not readily available.

Residential Real Estate Loans

The overall borrower distribution of residential real estate loans in the bank’s AA is good. In evaluating the borrower distribution of residential real estate loans, we considered the large number of households that live below the poverty level (14%) and the barriers this might have on home ownership. Many of the sampled loans were refinances and it is likely that middle- and upper-income borrowers can more easily afford the costs associated with refinancing. The data used to evaluate FNB’s residential lending activity is presented in the following table.

Borrower Distribution of Residential Real Estate Loans in AA								
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 Real Estate	21%	15%	19%	30%	25%	35%	35%	20%

Sources: Loan sample and 1990 US Census data. The updated 2002 non-MSA median family income is \$46,700. The income categories are defined as: less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of \$46,700.

Based on the sample of loans selected, the bank’s residential lending to low-income borrowers (15%) is below the percentage of low-income families (21%) in the AA. However, residential lending to moderate-income borrowers (30%) exceeds the percentage of moderate-income families (19%).

Farm Loans

The overall borrower distribution of farm loans is good in the bank's AA. The data used to evaluate FNB's farm loan activity is presented in the following table.

Borrower Distribution of Loans to Farms in AA		
Farm Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms*	99%	
% of Bank Loans in AA by #	100%	
% of Bank Loans in AA by \$	100%	

Source: Loan sample (20 loans in the AA); Dunn and Bradstreet data.

* Less than 1% of AA farms did not report revenue data.

Geographic Distribution of Loans

Overall, the bank's geographic distribution of all sampled loans is considered reasonable and reflects a satisfactory dispersion among geographies of different income levels. Our conclusion was based on the sample of residential real estate loans and farm-related loans discussed above.

Residential Real Estate Loans

Residential real estate loan geographic distribution is good. The data used to evaluate FNB's residential lending activity is presented in the following table.

Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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 Real Estate Loans	0%	0%	8%	13%	92%	87%	0%	0%

Source: Loan sample and 2002 Dunn and Bradstreet data.

The percentage of the bank's residential real estate loans made in the moderate-income geography (13%) exceeds the percentage of owner-occupied housing units (8%) in the geography.

Farm Loans

The geographic distribution of farm loans is reasonable. The data used to evaluate FNB's farm lending activity is presented in the following table.

Geographic Distribution of Loans to Farms in AA								
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
Farm Loans	0%	0%	4%	0%	96%	100%	0%	0%

Source: Loan sample and Dunn and Bradstreet data.

None of the sampled farm loans were originated within the single moderate-income tract in the AA (CT 9589). This CT is generally bounded by the northern and western boundaries of the Village of Pana, which is largely developed with residential, retail, and commercial properties. The distribution of sampled agricultural loans is considered adequate in light of assessment area demographics.

Responses to Complaints

FNB has not received any complaints about its performance in helping to meet community credit needs since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.