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Comptroller of the Currency  
Administrator of National Banks

SMALL BANK

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**PUBLIC DISCLOSURE**

December 28, 1998

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

First National Bank of Nokomis  
Charter # 14436  
122 West State Street  
Nokomis, Illinois 62075

Comptroller of the Currency  
Fairview Heights Field Office  
13 Executive Drive, Suite 7  
Fairview Heights, Illinois 62208

**NOTE: 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.**

## 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 **First National Bank of Nokomis, Illinois**, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of December 28, 1998. This evaluation is based on information since the last CRA examination dated **November 22, 1995**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

- The level of lending to low- and moderate-income individuals and farms of different sizes shows good penetration based upon the demographics of the area and credit needs of the assessment area.
- The bank's loan-to-deposit ratio is comparable to the loan-to-deposit ratios of similarly situated area banks.
- A majority of loans are extended in the bank's assessment area.

## DESCRIPTION OF INSTITUTION

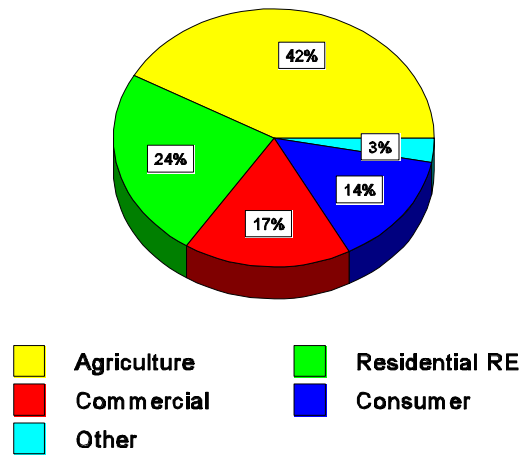
The First National Bank of Nokomis (FNB) is a \$50 million bank which is wholly owned by First Nokomis Bancorp, Inc., a two-bank holding company. The bank operates one office with an ATM located in downtown Nokomis, Illinois. FNB offers a full range of retail and commercial banking products normally associated with a community bank. The bank's primary business focus is agriculture-related loans and 1-4 family residential real estate loans.

As of December 31, 1998, the loan portfolio represented 55% of total assets. At that time, the composition of the loan portfolio was 42% agriculture-related, 24% residential real estate, 17% commercial, 14% consumer, and 3% other loans.

No financial or legal constraints impede the bank's ability to meet 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, financial capacity, and local economic conditions. The bank's prior CRA rating, dated November 22, 1995, was "Satisfactory Record of Meeting Community Credit Needs."

## Loan Portfolio Composition

As of December 31, 1998



## DESCRIPTION OF ASSESSMENT AREA

FNB has designated portions of Montgomery and Fayette Counties as its assessment area (AA). The AA includes BNAs 9573, 9574, 9579, and 9580 in Montgomery County and BNA 9507 in Fayette County. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies. Montgomery and Fayette Counties are non-Metropolitan Statistical Areas (non-MSA). Based on the non-MSA median family income for the entire AA in 1990, all five BNAs are middle income.

The AA population was 21,146 as of the 1990 census. The updated non-MSA median family income in Illinois for 1998 is \$39,500. Census information on family incomes aggregated for the AA shows that 23% of the families are in low-, 19% are in moderate-, 25% are in middle-, and 33% are in upper-income levels.

For the analysis contained in this report, low income is defined as income that is less than 50% of the 1998 statewide non-MSA median family income. Moderate income is at least 50% but less than 80% of the 1998 statewide non-MSA median family income. Middle income is at least 80% but less than 120% of the 1998 statewide non-MSA median family income. Upper income is 120% or more of the 1998 statewide non-MSA median family income.

The 1990 census demographic data for the AA shows that 18% of the population is age 65 and over, 16% of the households are in retirement, and 15% of the households are below the poverty level. Median housing value is \$33,640 and the median age of the housing stock is 48 years. Owner-occupied units represent 70% of the housing stock, with 85% being 1-4 family units.

The local economy is primarily supported by agriculture and other service-related businesses. The two largest employers in the area are the Community Unit School District and Ronk Electric Industries, Inc. Many local residents commute to Taylorville, Greenville, Hillsboro, Litchfield, Springfield, and Decatur for employment. The local economy has been relatively stable; however, low grain and livestock prices may adversely impact the AA. Additionally, unemployment rates are trending upward for each of the two counties within the bank's AA. The November 1998 unemployment rates for Montgomery and Fayette Counties are 9.2% and 8.1% and compare unfavorably to 4.1% for both the state and national unemployment rate for the same period.

Strong competition comes primarily from larger financial institutions located in nearby Pana, Taylorville, Hillsboro, and Raymond. Additional competition comes from one state bank in Nokomis and a national bank in Witt, Illinois. The bank's business strategy is to remain competitive with the other financial institutions in the AA and serve the community's loan needs.

To further our understanding of the community's credit needs, we interviewed an area real estate agency during this examination. This organization, and others previously contacted, indicated that the primary credit needs of the assessment area are residential real estate loans, personal loans, and loans to farmers. The contact stated that the local financial institutions are serving the credit needs of the community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes:**

*Agricultural Loans* - The bank's primary product line is agricultural lending which comprises the largest portion of the loan portfolio on a dollar basis. FNB is responsive to the credit needs of small farms in its AA. Small business and small farm loans are defined as loans to a company with less than \$1 million in gross annual revenues. We reviewed the revenue distribution of 29 agricultural borrowers with loan originations between November 22, 1995, and December 31, 1998, to determine the size of farms being served.

Total loan originations to these borrowers were \$2,390,000. Our agricultural sample represented approximately 10% of the number of farm-related loans originated during this period.

The following table illustrates the distribution of farm-related loan originations by size of annual revenues within the AA.

**Distribution by Farm Gross Revenue Size**

	<b>Under \$100M</b>		<b>\$100M- \$250M</b>		<b>\$250M- \$500M</b>		<b>\$500M- \$1MM</b>		<b>Over \$1MM</b>	
<b>#</b>	6	21%	15	52%	7	24%	1	3%	0	0%
<b>\$ (000's)</b>	297	12%	944	39%	634	27%	515	22%	0	0%

Based on 1990 business demographic data, all farms in the bank's AA have revenues of less than \$1 million.

**Residential Real Estate Loans** - The bank's secondary product line is 1-4 family residential real estate lending for purchase, home improvement, and refinancing. Residential real estate loans comprise the second largest portion of the loan portfolio on a dollar basis. FNB's distribution to borrowers demonstrates excellent penetration to borrowers of all income levels. The bank's distribution to low- and moderate-income level individuals exceeds the demographic data for the AA.

We sampled 45 residential real estate loans with loan originations between November 22, 1995, and December 31, 1998. Total loan originations to these borrowers were \$1,284,000. Our residential real estate sample represented approximately 20% of the number of residential loans originated during this period.

The level of lending to low- and moderate-income individuals is commendable in comparison to the high unemployment rates, the relatively high population of persons over age 65, the number of households in retirement, and the number of households below the poverty level.

The following table illustrates the distribution of loan originations for 1-4 family residential real estate borrowers of different income levels within the AA.

**Distribution by Borrower Income Level  
1-4 Family Residential Real Estate Loans**

<b>Income Levels</b>	<b># of Loans</b>	<b>% By # of Loans</b>	<b>Loan \$ (000's)</b>	<b>% By \$ of Loans</b>	<b>AA Family Income</b>
<i>Low Income</i>	8	18%	164	13%	23%
<i>Moderate Income</i>	18	40%	572	45%	19%
<i>Middle Income</i>	11	24%	285	22%	25%
<i>Upper Income</i>	8	18%	263	20%	33%

**Used Auto and Truck Loans** - Used auto and truck loans comprise the largest portion of the loan portfolio on a number basis. FNB's distribution to borrowers demonstrates good penetration to borrowers of all income levels. The bank's distribution to low- and moderate-income level individuals exceeds the demographic data for the AA.

We sampled 33 used auto and truck loans with loan originations between November 22, 1995, and December 31, 1998. Total loan originations to these borrowers were \$353,000. Our used auto and truck sample represented approximately 10% of the number of vehicle-related loans originated during this period.

The following table illustrates the distribution of loan originations for used auto and truck borrowers of different income levels within the AA.

**Distribution by Borrower Income Level  
Used Auto and Truck Loans**

<b>Income Levels</b>	<b># of Loans</b>	<b>% By # of Loans</b>	<b>Loan \$ (000's)</b>	<b>% By \$ of Loans</b>	<b>AA Family Income</b>
<i>Low Income</i>	5	15%	52	15%	23%
<i>Moderate Income</i>	13	40%	147	41%	19%
<i>Middle Income</i>	14	42%	141	40%	25%
<i>Upper Income</i>	1	3%	13	4%	33%

**Geographic Distribution of Loans:**

A geographic analysis was not performed as all geographies in the AA are middle income.

**Loan-to-Deposit Ratio:**

The bank's loan-to-deposit ratio is satisfactory. The loan-to-deposit ratio as of September 30, 1998, was 66%. The bank's average loan-to-deposit ratio for the thirteen quarters since the previous CRA evaluation was 61%. The loan-to-deposit ratios of six competitor banks ranged from 40% to 82% as of September 30, 1998, and average ratios for the period ranging from 27% to 71%. Four of the six competitor banks' average loan-to-deposit ratios exceeded the bank's ratio of 61%. Only two competitor banks exceeded the bank's loan-to-deposit ratio as of September 30, 1998. The competitor banks are considered similarly situated institutions as they are all rural community banks with total assets less than \$100 million, where agriculture is an important part of the economy.

**Lending in the Assessment Area:**

Lending in the assessment area is satisfactory. A majority of the bank's agricultural, used auto/truck, and residential real estate loans are extended within its AA. This conclusion is based on our sample of those types of loans. Also, during the examination the bank prepared a zip code analysis of all loans in the portfolio as of September 30, 1998.

The following tables represent the results of our loan sample and the bank's zip code analysis report.

**Loans Sampled by Number and Dollar Amount Within AA**

<b>Loan Type</b>	<b># Sampled</b>	<b>% of Loans Within AA (#)</b>	<b>\$ Amount of Loans Sampled (000's)</b>	<b>% of Loans Within AA (\$)</b>
<b>Agriculture</b>	42	71%	\$3,374	75%
<b>Residential RE</b>	48	94%	\$1,385	93%
<b>Used Auto/Truck</b>	40	83%	\$429	82%
<b>Totals</b>	130	83%	\$5,188	81%

**All Loans by Dollar Amount Within AA by Zip Code**

		<b>Total \$ Amount of Loans in Portfolio (000's)</b>	<b>% of Loans Within AA (\$)</b>
<b>Outstanding Loans</b>		\$28,264	78%

**Response to Complaints:**

No complaints were received since the prior CRA evaluation.

**Compliance with Antidiscrimination Laws:**

In conjunction with the CRA evaluation, we performed a Fair Lending examination which included a review of the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No substantive violations of these antidiscrimination laws and regulations were identified.