



Office of the  
Comptroller of the Currency  
Washington, DC 20219

**SMALL BANK**

## **PUBLIC DISCLOSURE**

July 31, 2017

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

The First National Bank of Litchfield  
Charter Number 3962

324 North State Street  
Litchfield, IL 62056

Office of the Comptroller of the Currency

500 North Broadway, Suite 1700  
St. Louis, MO 63102

**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, and should not 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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## **Overall CRA Rating**

**The Lending Test is rated: Satisfactory.**

The major factors that support First National Bank of Litchfield's (FNB) rating include:

- FNB's distribution of loans reflects reasonable penetration among farms and businesses of different sizes, given the demographics of the assessment area (AA).
- The bank's loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, the AA's credit needs, and competition.
- The bank originated a majority of the loans within the AA.

## **Definitions and Common Abbreviations**

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

First National Bank of Litchfield (FNB) is an intrastate bank located in Litchfield, Illinois. The bank is located on Interstate 55 about halfway between St. Louis, Missouri, and Springfield, Illinois. FNB is wholly owned by First Montgomery Bancorp, Inc., a one-bank holding company located in the city of Litchfield, Illinois. FNB's assets totaled \$105 million as of June 30, 2017. There have been no changes in the bank's corporate structure since the last CRA evaluation.

The bank operates two offices. The main office in downtown Litchfield is located in the middle-income census tract (CT) 9578, and the branch is located on the western edge of Litchfield, in the upper-income CT 9576. There have been no changes in the bank's physical locations since the previous CRA performance evaluation. The main office has a drive-through ATM, and the branch office also has a drive-through ATM. Both ATMs only allow cash withdrawals.

FNB offers a noncomplex range of retail and commercial banking products normally associated with a community bank, but the bank's primary business focus is agricultural lending. As of June 30, 2017, loans totaled approximately \$83 million or 80 percent of total assets. The composition of the loan portfolio is 59 percent agricultural, 14 percent residential real estate, 12 percent commercial and industrial, 11 percent commercial real estate, 4 percent consumer, and 1 percent other loans. The bank's deposits totaled \$85 million and common equity tier 1 capital was \$11.3 million.

As of June 30, 2016, FNB had 11 percent of the deposit market share in Montgomery County, which placed FNB fourth out of thirteen banks with offices in the county. There are no known constraints placed on the bank's ability to meet the community credit needs. The type and amount of CRA activities are consistent with the bank's size, financial capacity, and local economic conditions. FNB's last CRA evaluation was January 12, 2011, which resulted in a *Satisfactory* rating. The bank is not a reporter of Home Mortgage Disclosure Act data.

### Description of Assessment Area

FNB's assets totaled \$108 million as of December 31, 2016. The bank continues to operate out of two locations, both located in Litchfield, IL, which is unchanged from the previous evaluation. The bank's primary business focus is agriculture lending. FNB's AA consists of CTs 9574, 9575, 9576, 9577, 9578, 9579, and 9580 in Montgomery County, Illinois. This is the entire Montgomery County with the exception of middle-income CT 9573. Management excludes this CT since it is the furthest distance from the bank's locations and there are several agricultural lenders in the CT, so it is reasonable to assume the bank is unable to penetrate this CT. This is unchanged from the previous PE dated January 12, 2011, at which time the bank's CRA performance was rated Satisfactory. The bank only had one AA during the evaluation period. The AA is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies as all geographies are middle-

or upper-income based on June 2016 data. Montgomery County is a non-Metropolitan Statistical Area and non-metropolitan geography. Banking competition in the Montgomery County AA is average. Based on June 30, 2016 FDIC financial data, 13 financial institutions offered banking services in the AA. FNB ranked fourth in deposit market share, with 10.7 percent of the market share.

The population of the Montgomery County AA was 26,621 according to the 2010 U.S. Census Data. The U.S. Department of Housing and Urban Development weighted average median family income for the non-metropolitan areas of Illinois in 2016 was \$56,427. Unemployment in Montgomery County was 7.1 percent in December 2016. The 2010 U.S. Census Data indicated 12.7 percent of households were below the poverty level in the Montgomery County AA.

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its assessment area (AA).

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We used small bank procedures to evaluate the performance of FNB under the Community Reinvestment Act (CRA). This included only the lending test of FNB's performance within the AA during the evaluation period. We evaluated the bank's performance from January 12, 2011 to July 31, 2017. We focused our assessment on the bank's primary loan products based on the dollar volume and number of loan originations from January 1, 2015 to December 31, 2016 (evaluation period). We determined agriculture loans were the primary product during the evaluation period, while business loans were the secondary lending product. During the evaluation period, agriculture loans accounted for 25.9 percent of originations by number and 48.3 of originations by dollar amount. Business loans accounted for 19.5 percent of originations by number and 37.4 percent of originations by dollar amount during the evaluation period.

We randomly sampled 20 agricultural loans and 20 business loans originated between January 1, 2015 and December 31, 2016 for our analysis of the bank's lending performance within the AA during the evaluation period. We compared the loan sample results to 2016 Business Geodemographic data to determine lending performance. We used Call report data to determine the bank's quarterly Loan-to-Deposit (LTD) ratio and annual deposit information reported to the Federal Deposit Insurance Corporation (FDIC) to find similarly situated banks. The most recent deposit information is as of June 30, 2016.

During our evaluation, we contacted a local community leader to discuss the economic conditions of the area and efforts of local financial institutions to meet the credit needs of the Montgomery County community, which is the bank's AA. Our community contact indicated local banks are active in the community and meeting the area's primary credit needs and small farmers and small businesses have access to financing.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

FNB does a reasonable job of meeting the credit needs of its AA.

### LENDING TEST

The bank's performance under the lending test is satisfactory. The loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, AA's credit needs, and local competition. The bank originated a majority of primary loan products within its AA. The distribution of loans reflects reasonable penetration among farms and businesses of different sizes.

#### Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the bank's size, financial condition, and local credit needs. The bank's quarterly average loan-to-deposit ratio for the 27 quarters since the previous CRA evaluation is 93 percent. Eight similarly-situated banks have quarterly average LTD ratios ranging from 64.9 percent to 77.2 percent over the same timeframe. FNB ranks first out of the eight banks. The bank's deposits are cyclical depending upon the agriculture cycle. However, the bank's lowest LTD ratio of 84 percent in the third quarter of 2014 exceeds the average LTD ratio of each the eight banks and the maximum LTD ratio of four of the eight banks. The high LTD ratio was 105.3 percent in the last quarter of 2010. Despite this high figure, the bank's LTD ratio reflects an increasing trend since the previous evaluation.

#### Lending in Assessment Area

FNB's lending in its AA is satisfactory. Based on our sample of 40 loans, a majority of loans by number (72.5%) and by dollar volume (82.7%) were made inside the AA.

Lending in Montgomery County										
Loan Type	Number of Loans				Dollars of Loans (000)					
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$000	%	\$000	%	\$000
Agriculture	14	70.0	6	30.0	20	6,439	90.6	670	9.4	7,109
Business	15	75.0	5	25.0	20	918	51.4	868	48.6	1,785
Totals	29	72.5	11	27.5	40	7,357	82.7	1,538	17.3	8,895

Source: Loan sample.

## **Lending to Farms and Businesses of Different Sizes**

The bank's lending to farms and businesses of different sizes within the AA reflects reasonable penetration.

### Farm Loans

The bank meets the standard for satisfactory performance within the AA. The ratio of the bank's loans to farms with revenues of less than \$1 million is 85 percent of our sample by number and 81.6 percent of loans by dollar amount. These numbers reasonably compare to the AA ratio of 99.1 percent based on the 2016 business Geodemographic data. It is important to note that the business data did not indicate any farms in the AA with revenues greater than \$1 million; however, we identified three such farms in our sample of 20.

<b>Table 2A - Borrower Distribution of Loans to Farms in Montgomery County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.1	0.00	0.7	100%
% of Bank Loans in AA by #	85.0	15.00	0.0	100%
% of Bank Loans in AA by \$	81.6	18.39	0.0	100%

*Source: Loan sample; D&B as of June 2016; 2010 U.S. Census data.*

### Business Loans

The bank meets the standard for satisfactory performance within the AA. The ratio of the bank's loans to non-farm businesses with revenues of less than \$1 million is 85 percent of our sample by number and 67.6 percent of loans by dollar amount, which are both reasonably comparable to the AA ratio of 73 percent based on the 2016 business Geodemographic data. We noted that 21.1 percent of the non-farm businesses within the AA did not report revenues in the demographic data.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Montgomery County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.0	6.0	21.1	100%
% of Bank Loans in AA by #	85.0	15.0	0.0	100%
% of Bank Loans in AA by \$	67.6	32.5	0.0	100%

*Source: Loan sample; D&B as of June 2016; 2010 U.S. Census data.*

## **Geographic Distribution of Loans**

Geographic distribution analysis is not meaningful as the AA has no low- or moderate-income census tracts. FNB has one assessment area, which is the Montgomery County AA. This includes seven CTs in the county, which is the entire county with the

exception of CT 9573. Of the seven CTs in the AA, six are middle-income and one is upper-income.

### **Responses to Complaints**

The bank has not received any complaints regarding its CRA performance since the last evaluation.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term "full-scope") and those that received a less comprehensive review (designated by the term "limited-scope").

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (01/01/15 to 12/31/16)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank of Litchfield (FNB) Litchfield, IL	Agriculture loans, Business loans	
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Illinois Montgomery County	Full-Scope	

## **Appendix B: Community Profiles for Full-Scope Areas**

## **Montgomery County (excludes CT 9573)**

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 U.S. Census, and 2016 HUD updated MFI.

FNB's assets totaled \$108 million as of December 31, 2016. The bank continues to operate out of two locations, both located in Litchfield, IL, which is unchanged from the previous evaluation. The bank's primary business focus is agriculture lending. FNB's AA consists of CTs 9574, 9575, 9576, 9577, 9578, 9579, and 9580 in Montgomery County, Illinois. This is the entire Montgomery County with the exception of CT 9573. This is unchanged from the previous PE dated January 12, 2011. The bank only had one AA during the evaluation period. The AA is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies as all geographies are middle- or upper-income based on June 2016 data. Montgomery County is a non-MSA and non-MD geography. Banking competition in the Montgomery County AA is average. Based on June 30, 2016 FDIC financial data, 13 financial institutions offered banking services in the AA. FNB ranked fourth in deposit market share, with 10.7 percent of the market share.

The population of the Montgomery County AA was 26,621 according to the 2010 U.S. Census Data. The U.S. Department of Housing and Urban Development weighted average median family income for the non-metropolitan areas of Illinois in 2016 was \$56,427. Unemployment in Montgomery County was 7.1 percent in December 2016. The 2010 U.S. Census Data indicated 12.7 percent of households were below the poverty level in the Montgomery County AA.