



PUBLIC DISCLOSURE

April 18, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers National Bank of Griggsville
Charter Number 14466

112 West Quincy Street
Griggsville, Illinois 62340

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 average loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of loans are to customers within Farmers National Bank of Griggsville's (Farmers NB's or bank's) assessment area (AA).
- The borrower distribution of loans reflects reasonable penetration.

SCOPE OF EXAMINATION

This Community Reinvestment Act Performance Evaluation (CRA PE) assesses the bank's ability to meeting the credit needs of the communities in which it operates. We evaluated the bank 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 AA through its lending activities.

The evaluation period covers the period between the date of the prior CRA PE of November 2, 2009, and April 18, 2016. The rating of the previous CRA PE was Satisfactory.

The single AA consisting of Pike and Brown counties received a full-scope review.

We based the lending test on the primary loan products for the AA, based on the dollar volume of loan originations and purchases for the lending period between January 1, 2014, and December 31, 2015. We based our conclusions regarding lending performance on agriculture and residential loans, utilizing 2010 US Census data. Agriculture and residential loans together accounted for 70 percent of loans originated or purchased from January 1, 2014, to December 31, 2015. Agriculture loans received more weight in our analysis as this product accounted for 58 percent of the dollar amount of originated or purchased loans, while residential loans accounted for 21 percent of loans during the same period.

We obtained and reviewed a random sample of agriculture and residential loans originated or purchased between January 1, 2014, and December 31, 2015. We obtained the gross revenue of farms and gross monthly income of individuals and families, as well as geocoding data for each individual loan in our sample.

DESCRIPTION OF INSTITUTION

Farmers NB is a \$71 million intrastate financial institution headquartered in Griggsville, Illinois, near Interstate 72 and the Illinois River. There are four locations, including the main office, and four ATMs. Three branches offer drive-thru service in addition to offering hours on Saturday. In addition to four bank ATMs, the bank has an agreement with a Casey's convenience store and gas station in Griggsville, Illinois, to allow bank customers to utilize their ATM at no cost to the customer.

The bank opened a branch in Pittsfield, Illinois, in July 2010, which further expanded banking access to individuals in Pike County. The Mt. Sterling branch and ATM are located in an underserved or distressed census tract (CT).

The bank's strategy is to operate as a community bank that conducts business by putting customers' needs and wants first to make the communities in which it operates stronger and financially viable.

The bank originated or purchased 1,950 loans totaling \$110 million between January 1, 2014, and December 31, 2015.

The loan portfolio, at December 30, 2015, consisted of the following:

Table 1 – Loan Portfolio Summary by Loan Type		
Loan Category	\$	%
Agriculture Loans	35,300	58
Residential Loans	12,098	20
Commercial Loans	9,518	15
Consumer Loans	4,525	7
Total Loans	\$61,441	100%

Source: December 30, 2015 Call Report

Farmers NB is a wholly owned subsidiary of Griggsville Bancshares Inc., a one-bank holding company with assets of \$71 million, at December 31, 2015. Griggsville Bancshares Inc. does not negatively affect the bank's ability to meet the credit needs of the community.

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

DESCRIPTION OF ASSESSMENT AREA

The AA includes the whole counties of Pike and Brown, which include the communities of Griggsville, Mt. Sterling, and Pittsfield. The AA consists of whole CTs, includes geographies where branches are located, and does not reflect discrimination or arbitrarily exclude low- or moderate-income areas.

The following table provides demographic information for Farmers NB’s AA:

Table 2 – Demographic Information for AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	7	0	0	100	0
Population by Geography	23,367	0	0	100	0
Owner-Occupied Housing by Geography	6,848	0	0	100	0
Business by Geography	1,284	0	0	100	0
Farms by Geography	359	0	0	100	0
Family Distribution by Income Level	5,957	22	22	21	35
Distribution of Low and Moderate Income Families throughout AA Geographies	2,608	0	0	100	0
Median Family Income	\$54,499	Unemployment Rates:			
Median Housing Value	\$76,456	Brown County			3.7%
FFIEC Adjusted Median Family Income for 2015	\$58,600	Pike County			6.0%
Families Below Poverty Level	11%	State of Illinois			6.0%
Households Below Poverty Level	13%				

Source: 2010 US Census and 2015 FFIEC updated MFI; Unemployment Information from Bureau of Labor Statistics, December 30, 2015.

Unemployment in Brown County is low and compares favorably to Pike County and the State of Illinois, at December 30, 2015. The economy of the AA is primarily agriculture related though other major employment areas include the local hospital, correctional facility, and school districts.

Competition among financial institutions in the AA is high due to the number of financial institutions competing for loans and deposits in areas with small population centers. Farmers NB held a fourth position in deposit market share, or 11 percent, among 12 FDIC insured financial institutions in Pike and Brown counties, at June 30, 2015.

We contacted an individual involved in the local agriculture community. The contact described local economic conditions as suffering for the past couple years as crop prices have fallen and tightened farmer cash flows. Farmers in the area primarily grow corn and soybeans and to a lesser extent wheat and livestock operations. With weakened crop prices, local banks have sought FSA assistance through participations and guarantees to help farmers obtain financing and for banks to reduce interest rate risk on long-term agriculture loans. The contact did not identify any community development or financing programs in which the bank was not already involved. The contact noted the bank to be very active in the agriculture community and had no

negative perceptions of the bank’s involvement in meeting the credit needs of the community. He noted that Farmers NB works significantly with the agriculture community in helping farmers to obtain financing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending Test

Farmers NB meets the standard for Satisfactory performance.

Loan-to-Deposit Ratio

Farmers NB's average LTD ratio is reasonable give the size, financial condition, and lending opportunities available in the AA. The quarterly LTD ratio averaged 79 percent over 24 quarters between December 31, 2009, and September 30, 2015, with a low of 63 percent and a high of 94 percent. The similarly situated financial institutions, which range in size from \$46 million to \$241 million, are community institutions that compete with Farmers NB in the AA for loans and deposits. The similarly situated institutions had an overall average LTD ratio of 79 percent, with an average low LTD of 64 percent and an average high LTD ratio of 97 percent.

Lending in Assessment Area

Farmers NB originated or purchased a substantial majority of loans to customers within its AA during the evaluation period, both by number and dollar volume.

Table 3 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Agriculture	39	98	1	2	40	5,207	92	425	8	5,632
Residential	37	93	3	7	40	3,986	92	339	8	4,325
Totals	76	95%	4	5%	80	\$9,193	92%	\$765	8%	\$9,958

Source: In/Out sample of agriculture and residential loans between January 1, 2014 and December 31, 2015.

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

The distribution of loans reflects reasonable penetration in the AA.

Agriculture Lending

The lending performance to farms of different sizes reflects reasonable penetration.

Table 4 - Borrower Distribution of Loans to Farms in AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	99%	1%	0%	100%
% of Bank Loans in AA by #	92%	8%	0%	100%
% of Bank Loans in AA by \$	71%	29%	0%	100%

Source: Sample of agriculture loans from January 1, 2014 through December 31, 2015; 2014 Geodemographic business data.

Residential Lending

The distribution of residential loans reflects reasonable penetration to borrowers of different income levels. The lending performance to moderate-income borrowers is excellent as it significantly exceeds the standard. The lending performance to low-income borrowers is poor when considering that 11 percent of families are living below poverty.

In our sample of residential loans, 49 percent were originated in a distressed or underserved CT in the AA.

Table 5 - 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	22%	3%	22%	27%	21%	35%	35%	35%

Source: Sample of residential loans from January 1, 2014 through December 31, 2015; 2010 US Census data.

Geographic Distribution of Loans

There are no low- or moderate-income CTs in the AA, thus an analysis would not be meaningful.

Responses to Complaints

Famers NB did not receive any complaints regarding its performance in helping to meet the credit needs of its AA during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 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.