



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 07, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Nokomis
Charter Number 14436

122 West State Street
Nokomis, IL 62075-1657

Office of the Comptroller of the Currency

NORTH CENTRAL ILLINOIS & EASTERN IOWA FIELD OFFICE
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East Peoria, IL 61611-2559

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:

First National Bank of Nokomis (FNB) is rated Satisfactory.

The major factors that support the FNB's rating include:

- FNB's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of the loans originated by FNB are to customers from within its AA.
- The distribution of loans to farms and businesses of different sizes is reasonable.

SCOPE OF EXAMINATION

This Performance Evaluation assesses FNB'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 a bank's record of helping to meet the credit needs of its AA through its lending activities.

- The evaluation period covers loans originated or purchased from September 28, 2004 through December 7, 2009.
- FNB has one AA, generating a majority of the bank's loans and deposits. The lending test is based on FNB's primary loan products.
- Conclusions regarding the bank's lending performance are based on agriculture, and commercial loans originated or purchased from January 1, 2007, through September 30, 2009, utilizing 2000 census data and 2008 Dun & Bradstreet Business Geodemographic Data.
- The bank is not located in a Metropolitan Statistical Area and is not subject to the requirements of the Home Mortgage Disclosure Act.
- FNB is not required to maintain revenue information on agriculture and commercial loans outside of the individual credit files. Thus, a sample of 29 agriculture loans originated during the evaluation period was used to assess the level of lending to farms of different sizes. A sample of 30 commercial loans originated during the evaluation period was used in assessing the level of lending to businesses of different sizes.

DESCRIPTION OF INSTITUTION

FNB is a \$127 million intrastate financial institution. FNB has three offices in Illinois: main office in Nokomis, one branch office in Arthur and another branch office in Moweaqua. On July 31, 2006, the Arthur branch was purchased by First Nokomis Bancorp, Inc. and merged under the bank's national charter. Management did not close any branches during this evaluation period. All of the locations have drive-up facilities and automated teller machines (ATM).

Customers may also access their accounts through telephone banking or by the Internet. Internet and telephone banking services include transfers between FNB accounts, review of account balances or transactions, accessing loan account information, and bill-paying capability for the Internet banking product. The bank also offers debit cards, providing customers with additional access to their accounts at point of sale or ATM locations.

The bank is a wholly owned subsidiary of First Nokomis Bancorp, Inc. a one-bank holding company located in Nokomis, Illinois. The bank's business strategy is to remain competitive with other financial institutions in the AA and serve the community's loan needs.

FNB has two primary lending products: agricultural and commercial loans. Agriculture and commercial lending account for 80 percent of the amount of all loan originations during the evaluation period. Consumer and residential real estate lending are not primary loan products, as they only account for 20 percent of the dollar volume of all loan originations during the evaluation period.

Loan Originations by Loan Type January 1, 2007 through September 30, 2009		
Loan Category	\$(000)	%
Agriculture	\$ 57,356	51%
Commercial	\$ 32,006	29%
Residential Real Estate	\$ 15,025	13%
Consumer	\$ 8,177	7%
Total Loans	\$ 112,564	100%

Source: Bank Records from January 1, 2007 through September 30, 2009

There are no financial conditions, legal constraints, or other factors that would hinder the bank's ability in helping to meet the credit needs of the communities within its assessment area. As of September 30, 2009, reported Tier 1 capital was \$14 million. The bank's previous CRA rating as of September 28, 2004, was Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

FNB's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. FNB has one AA consisting of Christian, Douglas, Fayette, Moultrie, Montgomery, and Shelby Counties. The AA includes sixteen census tracts (CTs): five in Christian County, one in Douglas County, one in Fayette County, four in Montgomery County, three in Moultrie County, and two in Shelby County. The 2000 U.S. Census data shows this AA does not contain any low- or moderate- income CTs, as fifteen of the CTs in the AA are designated as middle-income and one CT is designated as upper-income.

Competition for financial services within the AA is from several state and national banks that serve the same communities and have a similar business focus. Strong competition comes primarily from larger financial institutions located in Pana, Hillsboro, and Raymond.

Demographic Information for the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	16	0%	0%	94%	6%
Population by Geography	62,753	0%	0%	96%	4%
Owner-Occupied Housing by Geography	25,084	0%	0%	96%	4%
Businesses by Geography	3,930	0%	0%	96%	4%
Farms by Geography	761	0%	0%	91%	9%
Family Distribution by Census Tract	16,676	0%	0%	96%	4%
Family Distribution by Income Level	16,676	16%	21%	25%	38%
Household Distribution by Income Level	23,214	20%	17%	21%	42%
Median Family Income	\$43,428	2009 HUD Adjusted Median Family Income for the IL Non-MSA			\$54,400
Household Income	\$36,745	Median Housing Value			\$63,456
Families Below the Poverty Level	7.5%	Median Year Built			1956
Households Below the Poverty Level	10.9%	Average Monthly Gross Rent			\$ 403

Source: 2000 U.S. Census Data and 2008 Dun & Bradstreet Business Geodemographic Data

Economic Data

The local economy remains relatively stable despite the unemployment rate. The October 2009 unemployment rates for one of the six counties within the AA compares favorably to the national average and to the State of IL average rate.

Unemployment Rate October 2009	
National Average	9.5%
State of IL	10.3%
FNB AA	
Douglas County	9.2%
Moultrie County	9.8%
Christian County	10.4%
Shelby County	10.8%
Montgomery County	12.7%
Fayette County	12.9%

Source: United States Department of Labor: <http://stats.bls.gov>

The economy of the AA is concentrated in agricultural and small service industries. Major employers include: Hanson Material Service YD, Nokomis Quarry Company, Rock Electrical Industries Incorporated, the local school districts, the local hospitals and various banks including FNB Nokomis.

We contacted a local public official during the examination. The contact stated the local economy and that of the surrounding area shows deteriorating trends; however, it remains relatively stable given the turbulent economic environment. The contact indicated the primary credit needs in the area are agriculture, residential real estate, and general consumer loans. She felt FNB is actively meeting the credit needs of the area. The contact indicated that FNB remains very supportive in the efforts to improve and maintain the local community. The contact noted that local financial institutions are providing banking services and funding credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB meets the standards for satisfactory performance. In making this determination, the performance of distribution of loans to farms and businesses of different sizes is weighted heavier than the quarterly average loan-to-deposit ratio and the percentage of loans originated within the AA.

- FNB's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.
- A substantial majority of the loans originated by FNB are to customers from within its AA.
- The distribution of loans to farms and businesses of different sizes is reasonable.

Loan-to-Deposit Ratio

FNB's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. FNB's quarterly average loan-to-deposit ratio for the period July 1, 2004, to September 30, 2009, was 67 percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from 47 percent to 83 percent. FNB's average loan-to-deposit ratio is higher than three of the nine similarly situated banks, which range in asset size from \$28 million to \$196 million. The similarly situated banks utilized for comparison purposes are all community banks located in Christian, Montgomery, and Shelby Counties.

Lending in Assessment Area

A substantial majority of the loans originated by FNB are to customers within its AA. FNB's lending to customers within the AA for all loan types is very high. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

Loans Originated within the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Agriculture	27	93%	2	7%	29	\$ 3,057	96%	\$ 124	4%	\$ 3,181
Commercial	27	90%	3	10%	30	\$ 3,032	98%	\$ 67	2%	\$ 3,099
Totals	54	92%	5	8%	59	\$ 6,089	97%	\$ 191	3%	\$ 6,280

Source: Bank records on new loans originated in January 1, 2007 through September 30, 2009

Lending to Businesses and Farms of Different Sizes

The distribution of loans reflects reasonable penetration among farms of different sizes and businesses of different sizes.

Agricultural Loans

Given the demographics of the AA, the distribution of agricultural loans reflects reasonable penetration among farms of different sizes. Based on a sample of agriculture loans in the AA, the percentage of the number of FNB's loans to small farms is near the percentage of small farms. Small farms are farms with gross annual revenues of \$1 million or less.

Borrower Distribution of Loans to Farms of Different Sizes in the AA			
Farm Revenues	Number of Loans		% Farms in AA**
	#	%	
≤\$1,000,000	25	93%	99%
>\$1,000,000	2	7%	0%
Total	27	100%	99%

Source: Bank records on new loans originated from January 1, 2007 through September 30, 2009; 2008 Dun and Bradstreet Geodemographic Data

Commercial Loans

Given the demographics of the AA, the distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Based on a sample of commercial loans in the AA, the percentage of the number of FNB's loans to small businesses exceeds the percentage of small businesses reporting revenues. Small businesses are businesses with gross annual revenues of \$1 million or less.

Borrower Distribution of Loans to Businesses of Different Sizes in the AA			
Business Revenues	Number of Loans		% Businesses in AA**
	#	%	
≤\$1,000,000	25	93%	56%
>\$1,000,000	2	7%	4%
Total	27	100%	60%

Source: Bank records on new loans originated January 1, 2007 through September 20, 2009; 2008 Dun and Bradstreet Geodemographic Data

** 40 percent of AA businesses did not report revenue data.

Geographic Distribution of Loans

A geographic distribution of loans was not performed at this examination. All the geographies are middle-income or upper-income, thus, the analysis would not be meaningful.

Responses to Complaints

FNB has not received any complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.