



## **PUBLIC DISCLOSURE**

October 06, 2015

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

First National Bank of Nokomis  
Charter Number 14436

122 West State Street  
Nokomis, IL 62075

Office of the Comptroller of the Currency

500 N. 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, 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 First National Bank of Nokomis' (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 originated a majority of the loans within the AA.**
- **The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, AA's credit needs, and competition.**
- **The geographic distribution of loans reflects reasonable dispersion among different income tracts throughout the bank's AAs.**

**SCOPE OF EXAMINATION**

This Performance Evaluation assesses FNB's record of 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 a bank's record of helping to meet the credit needs of its AA through its lending activities. The evaluation period for this review is from January 1, 2013 through June 30, 2015.

The lending test is based on the bank's primary loan products. An analysis of the number and dollar volume of loan origination information supplied by the bank identified the bank's primary loan products for this evaluation period to be agriculture loans and commercial or business loans. FNB originated 2,171 loans totaling \$144 million from January 1, 2013 through June 20, 2015. Of those loans, 69 percent of the dollar of loans (\$99 million) and 30 percent of the number of loans (652) were agriculture, and 20 percent of the dollar of loans (\$28 million) and 12 percent of the number of loans (266) were business loans. There has been no change in FNB's business strategy since the previous CRA examination in December 2009.

As loan originations for 2013, 2014, and 2015 are representative of the evaluation period, our analysis utilized a sample of business loans and agriculture loans originated between January 1, 2013, and June 30, 2015. Changes in census tracts since the last examination based on 2010 census data did not affect our loan sample. In 2013, 2014, and 2015, the AA had the same fifteen census tracts designated as middle-income, with one moderate-income, and no low- or upper-income census tracts in the bank's AA. Therefore, we performed only one analysis for 2013, 2014, and 2015 combined data.

The bank is not located in a Metropolitan Statistical Area (MSA) and is not subject to the requirements of the Home Mortgage Disclosure Act. Based on its asset size, the bank

is not required to maintain revenue information on agriculture or commercial loans. Therefore, for our borrower distribution analysis, we reviewed a sample of 25 agriculture loans and 25 commercial loans made within the AA. The bank does collect census tract data on their loans. For our analysis of loans in and out of the AA, we verified the bank's data and found it to be reliable. We utilized 100% of their commercial and agriculture loan originations for 2013, 2014, and 2015 for our in and out assessment. For our geographic distribution analysis, we utilized 25 agriculture loans and 25 business loans originated during our evaluation period. In addition to our loan sample, we utilized 2010 U.S. Census data, updated FFIEC Median Family Income, 2014 Dun & Bradstreet Business Geo-demographic Data, and FDIC deposit-market share data as of June 30, 2015, in assessing the bank's lending performance. There is no affiliate activity considered in this evaluation.

**DESCRIPTION OF INSTITUTION**

FNB is a \$143 million intrastate financial institution located along Illinois Highway 16, just 18 miles southeast of Interstate 55, in Montgomery County. The bank is located approximately one hour from Springfield, IL and Decatur, IL, and one hour from St. Louis, MO. FNB has three full-service offices with drive-up facilities in Nokomis, Moweaqua, and Arthur Illinois. Each full-service facility has a cash-dispensing automated teller machine (ATM) on site. Management has not opened or closed any branches or ATMs during this evaluation period.

The bank is wholly owned by First Nokomis Bancorp, Inc., a one-bank holding company located in Nokomis, IL. As of June 30, 2015, the holding company had total assets of \$18 million. FNB's mission is to be a strong community leader, to be proactive within the community for its advancement and well-being, and to provide professional, ethical, and reliable service.

The bank offers a full range of retail and commercial banking products normally associated with a community bank. This includes commercial, mortgage, agricultural, and consumer loans, as well as deposit accounts, savings accounts, and certificates of deposit. Customers may also access their accounts through telephone, mobile, and internet banking. Gross loans were \$89 million as of June 30, 2015, and equaled 63 percent of total assets. The following represents the bank's loan and lease portfolio mix as of June 30, 2015:

<b>Loan Portfolio Summary by Loan Product, as of June 30, 2015</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Ag Loans	51%
Real Estate Loans	27%
Commercial Loans	17%
Consumer Loans	5%

*Source: June 30, 2015 Call Report Data*

Tier one capital totals \$16 million as of June 30, 2015. There are no financial, legal, or

other impediments that would hinder the bank's ability to help meet the credit needs of its AA. Bank activities are consistent with the bank's size, its financial capacity, local economic conditions and credit needs of the community. The bank was rated "Satisfactory" at its last CRA examination on December 7, 2009.

**DESCRIPTION OF ASSESSMENT AREA**

The AA consists of four census tracts (#s 9573, 9574, 9579, and 9580) in Montgomery County, one census tract (#9507) in Fayette County, five census tracts (#s 9586, 9587, 9588, 9589, and 9590) in Christian County, two census tracts (#s 9591 and 9592) in Shelby County, three census tracts (#s 9769, 9771, and 9772) in Moultrie County, and one census tract (# 9523) in Douglas County. None of these Counties is located in an MSA. These contiguous census tracts are all middle-income designations, with the exception of census tract #9589 in Christian County, which is a moderate-income census tract. Due to the size of the bank and location of banking offices, it is reasonable that the AA does not consist of whole counties. This AA conforms to the regulation and does not arbitrarily exclude low- or moderate-income areas.

FNB's AA was not impacted by 2014 MSA changes. Therefore, we used the information in the following table in our borrower distribution analysis for 2013, 2014, and 2015. The following demographic information for the AA is based on 2010 census data:

<b>Demographic Information for the AA</b>					
	#	% Low	% Mod	% Middle	% Upper
Families by Income Level	16,560	18.75%	18.27%	23.16%	39.82%
Census Median Family Income (MFI)		\$54,499	Median Housing Value		\$85749
Median Household Income		\$43,725	Weighted Average of Median Year Built		1961
FFIEC HUD Updated MSA MFI:		<u>2015</u> \$60,100 <u>2014</u> \$58,600 <u>2013</u> \$56,200	Households Below the Poverty Level		12.25%
			<b>2010 Business and Farm Data</b>		
Businesses: % of small businesses in the AA		72.42%	Percent of businesses not reporting revenue figures		23.53%
Farms: % of small farms in the AA		99.43	Percent of farms not reporting revenue figures		.57%

**Economic Data:**

The local economy and that of the surrounding area is stable. The local economy is concentrated in agriculture and small service industries. The agriculture economy experienced very good years in 2013 and 2014, and remains healthy into 2015.

Major Employers in the AA consist of Hanson Material Service, Nokomis Quarry Company, Rock Electrical Industries, Inc., All Precision Manufacturing, local schools and local hospitals. Numerous residents of Nokomis and the surrounding communities commute to Taylorville and Springfield, Illinois for work. The December 2014 unemployment rates for Montgomery (7.5%), Christian (6.6%), Fayette (6.6%), and Shelby (5.9%) counties are higher than the State (5.8%) and National (5.6%) rates for the same time-period. County unemployment rates at June 30, 2015 have improved and only two counties (Montgomery and Christian) have unemployment rates higher than the State and National rates. Following are the unemployment rates for the six counties in the bank's AA as of December 31 2014 and June 30, 2015, as compared to State and National rates:

<b>Unemployment Rates National, State, and County</b>	<b>December 2014</b>	<b>June 2015</b>
National Average	5.6%	5.3%
State of IL	5.8%	5.9%
Montgomery County	7.5%	6.6%
Christian County	6.6%	5.7%
Fayette County	6.6%	4.4%
Shelby County	5.9%	5.4%
Douglas County	4.9%	4.4%
Moultrie County	4.4%	3.9%

FNB faces competition from forty-seven institutions located in Christian, Fayette, Montgomery, Moultrie, Douglas, and Shelby Counties, including state and national banks, and larger regional banks. As of June 30, 2015, the bank owned approximately 3.97 percent of the market share, which represents the tenth largest in the six counties.

We performed one community contact, during the evaluation period, with a Montgomery County small business owner. Our contact stated that local area banks are meeting the needs of the community. This includes providing funding for agriculture and business loans, and serving on various community organization boards. During the past three years, we made community contacts with a local economic development corporation that services seven counties in Illinois including Christian, Fayette, Montgomery, Moultrie, and Shelby, where small business loans and financial literacy were identified as community needs. Affordable mortgages, down payment assistance, IDA grants, and USDA loans were also described as needs or opportunities for financial institution involvement.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's performance under the lending test is satisfactory. The bank's loan-to-deposit ratio is 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 the bank's AA. The distribution of loans reflects reasonable penetration among borrowers of different income levels and businesses of different sizes. The geographic distribution of loans reflects reasonable dispersion among different income tracts throughout the bank's AAs.

**Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, AA's credit needs, and local competition. FNB's quarterly average loan-to-deposit ratio for the period December 31, 2009, through June 30, 2015 was 64.37 percent, with a low of 56.52 percent and a high of 72.32 percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time-period was 61.69 percent with a range from 14.45 percent to 91.28 percent. FNB's average loan-to-deposit ratio is higher than six of the fourteen similarly situated banks, which range in asset size from \$52 million to \$199 million. The similarly situated banks utilized for comparison purposes are all community banks located in Christian, Fayette, Montgomery, Moultrie, Douglas, and Shelby Counties with up to \$200 million in total assets. FNB's assets at June 30, 2015 were \$143 million.

**Lending in Assessment Area**

The bank originated a majority of loans inside the AA. Based on 100 percent of business and agriculture loans originated from January 1, 2013 through June 30, 2015, the bank originated 83 percent of the number of loans and 75 percent of the dollar of loans within the AA. The following table illustrates commercial and agriculture loans made inside and outside of the bank's AA during the evaluation period:

<b>Lending in the AA</b>										
Type of Loans	Number of Loans					Dollar of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	221	83.08%	45	16.92%	266	\$16,968	59.66%	\$11,474	40.34%	\$28,442
Agriculture	541	82.98%	111	17.02%	652	\$79,223	79.78%	\$20,082	20.22%	\$99,305
Totals	762	83.01%	156	16.99%	918	\$96,191	75.30%	\$31,556	24.70%	\$127,747

Source: 100% of business and agriculture loans originated from January 1, 2013 through June 30, 2015.

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

The overall distribution of loans reflects, given the demographics of the AA, reasonable penetration among farms and businesses of different sizes. The distribution of agriculture loans reflects reasonable penetration among farms of different sizes. The

distribution of business loans reflects excellent penetration among businesses of different sizes. For this test, more weight was given to agriculture loans, as these type loans made up the largest percent of total originations in both number and dollar from January 1, 2013 through June 30, 2015.

Agriculture Loans

The distribution of loans to farms reflects reasonable penetration among farms of different sizes. The bank originated 92 percent of the number of agriculture loans and 68 percent of the dollar of agriculture loans sampled in the AA to small farms, as compared to 99 percent of small farms located in the AA. Small farms are farms with gross annual revenues of one million dollars or less. The following table illustrates the borrower distribution of agriculture originations in the AA by revenues and by loan size:

<b>Borrower Distribution of Loans to Farms within AA</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Farms	99.34%	0.00%	0.66%	100%
% of Bank Loans in AA by #	92.00%	8.00%	0.00%	100%
% of Bank Loans in AA by \$	68.44%	31.56%	0.00%	100%

Sources: Sample of 25 agriculture loans originated from January 1, 2013, through June 30, 2015 made within the AA, 2010 census data, and 2014 Business Geo-demographic Data

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. The bank originated 100 percent of the number of business loans and 100 percent of the dollars of business loans sampled in the AA to small businesses, as compared to 71 percent of small businesses located in the AA. Small businesses are businesses with gross annual revenues of one million dollars or less. It is important to recognize that some of the businesses that did not report revenues in the demographic data are likely also small businesses. The following table illustrates the borrower distribution of business loan originations in the AA by revenues and by loan size:

<b>Borrower Distribution of Loans to Businesses within AA</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	71.00%	4.61%	24.38%	100%
% of Bank Loans in AA by #	100%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100%	0.00%	0.00%	100%

Sources: Sample of 25 business loans originated from January 1, 2013, through June 30, 2015 made within the AA, 2010 census data, and 2014 Business Geo-demographic Data

**Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion among different income tracts throughout the bank’s AAs. We placed more weight on agriculture loans in arriving at this conclusion, as a majority of loans originated during our evaluation period were agriculture loans.

This analysis reflects lending in all census tracts. There are no conspicuous lending gaps. The bank originated loans in 94 percent of AA census tracts.

**Agriculture Loans**

Geographic distribution of agriculture loans is excellent. While there are no low-income geographies located within the bank’s AA, there is one moderate-income geography. The following table illustrates that the percent of the number of loans in our sample made in the moderate-income geography (4 percent) exceeds the percent of assessment area farms located in the moderate-income census tract (1.06 percent).

<b>Geographic Distribution of Agricultural Loans</b>								
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
% of Total	0.00%	0.00%	1.06%	4.00%	98.94%	96.00%	0.00%	0.00%

Source: Sample of 25 agriculture loans originated from 1/1/13 through 6/30/15 and 2010 U.S. Census Data.

**Business Loans**

Geographic distribution of business loans is poor. None of the loans in the sample was located in low- or moderate-income geographies. While there are no low-income geographies located within the bank’s AA, there is one moderate-income geography. There are 101 businesses located within this one geography, so there are opportunities to make loans in this moderate-income census tract.

<b>Geographic Distribution of Commercial Loans</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	0.00%	0.00%	3.11%	0.00%	96.89%	100.00%	0.00%	0.00%

Source: Sample of 25 business loans originated from 1/1/13 through 6/30/2015 and 2010 U.S. Census Data.

**Responses to Complaints**

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

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance.

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