



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 02, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers National Bank of Griggsville
Charter Number 14466

112 West Quincy Street
Griggsville, IL 62340-1102

Office of the Comptroller of the Currency

North Central Illinois and Eastern Iowa Field Office
111 West Washington Street, Suite 300
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

Farmers National Bank of Griggsville (FNB) is rated satisfactory.

The major factors that support FNB's rating include:

- FNB's quarterly average loan-to-deposit ratio is more than 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 of different sizes and families of different income levels 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 May 19, 2003, through November 2, 2009.
- FNB has one assessment area, 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 residential real estate 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 residential real estate loans outside of the individual credit files. Thus, a sample of 20 agriculture loans originated during the evaluation period was used to assess the level of lending to farms of different sizes. A sample of 21 residential real estate loans originated during the evaluation period was used in assessing the range of distribution by families of different incomes.

DESCRIPTION OF INSTITUTION

FNB is a \$47 million intrastate financial institution located along Interstate 72 in Pike County of West Central Illinois, approximately 25 miles west of Jacksonville, Illinois. FNB has three offices: main office in Griggsville, one branch in Milton, Illinois, a small village 22 miles to the south, and another branch office in Mt. Sterling Illinois, a small town 20 miles to the north. The Griggsville and Mt. Sterling locations have drive-up facilities. FNB has six ATMs; one at each office, and one each at Casey's General Store (convenience store) in Griggsville, The Bucket Restaurant in Griggsville, and Perry Fast Stop convenience store in Perry, Illinois.

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, access 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 Griggsville Bancshares, Inc., a \$47 million one-bank holding company located in Griggsville, Illinois. The bank's business strategy is to continue providing financial products and services through traditional methods and with new technologies, while remaining committed to the customer with responsive service and locally based decision-making. The bank is building a branch in Pittsfield, Illinois, to allow customers greater access to their accounts and further service the local community.

FNB has two primary lending products: agriculture and residential real estate loans. Agriculture and residential real estate lending account for 81 percent of the amount of all loan originations during the evaluation period and make up 78 percent of the outstanding loan balances as of September 30, 2009. Commercial and consumer lending are not primary loan products, as they only account for 19 percent of the dollar volume of all loan originations during the evaluation period, and 22 percent of the outstanding loan balances as of September 30, 2009.

Loan Originations by Loan Type January 1, 2007 through September 30, 2009		
Loan Category	\$(000)	%
Agriculture Loans	\$ 52,576	57%
Residential Loans	\$ 21,936	24%
Commercial Loans	\$ 9,723	10%
Consumer Loans	\$ 8,642	9%
Total Loans	\$ 92,877	100%

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

As of September 30, 2009, the bank reported \$38 million in outstanding loans and had a net loans and leases to total assets ratio of 82 percent. The loan portfolio consists of the following:

Loan Portfolio Summary by Loan Type September 30, 2009		
Loan Category	\$(000)	%
Agriculture Loans	\$ 22,325	58%
Residential Loans	\$ 7,880	20%
Commercial Loans	\$ 4,840	13%
Consumer Loans	\$ 3,383	9%
Total Loans	\$ 38,428	100%

Source: Call Report 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 \$4 million. The bank's previous CRA rating as of May 19, 2003, was Outstanding.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. FNB has one AA consisting of Brown and Pike Counties. The AA includes seven census tracts (CTs), two in Brown County and five in Pike County. The 2000 U.S. Census data shows this AA does not contain any low-, moderate- or upper-income CTs, as all of the CTs in the AA are designated as middle-income.

Competition for financial services within the AA is primarily from several state banks and two national banks that serve the same communities and have a similar business focus. Other competitors consist of smaller community banks in the area and from larger banks in the Quincy area.

Demographic Information for the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	7	0%	0%	100%	0%
Population by Geography	24,334	0%	0%	100%	0%
Owner-Occupied Housing by Geography	6,872	0%	0%	100%	0%
Businesses by Geography	2,037	0%	0%	100%	0%
Farms by Geography	424	0%	0%	100%	0%
Family Distribution by Census Tract	6,211	0%	0%	100%	0%
Family Distribution by Income Level	6,211	22%	20%	25%	33%
Household Distribution by Income Level	8,976	27%	18%	19%	36%
Median Family Income	\$39,625	2009 HUD Adjusted Median Family Income for the IL Non-MSA			\$54,400
Household Income	\$31,765	Median Housing Value			\$53,125
Families Below the Poverty Level	9%	Median Year Built			1951
Households Below the Poverty Level	12.75%	Average Monthly Gross Rent			\$ 341

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

Economic Data

The local economy has recently experienced a slight down turn. The September 2009 unemployment rates of 4.5 percent for Brown County and 8.1 percent for Pike County compare favorably to the national rate of 9.5 percent and State of Illinois rate of 10.2 percent. The economy of the AA is concentrated in agriculture and outdoor recreational activities. Major employers include: Dot Foods, Inc., Excel, Inc., local hospitals, local school districts, and city, county and state government.

We contacted a local public official during the examination. The contact stated the local economy and surrounding area shows a decline; however, it remains fairly stable in a turbulent economic environment. The contact indicated the primary credit needs in the area are agriculture, residential real estate, and general consumer loans. He 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, we gave more weight to the performance of distribution of loans to farms of different sizes and families of different income levels.

- FNB's quarterly average loan-to-deposit ratio is more than 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 of different sizes and families of different income levels is reasonable.

Loan-to-Deposit Ratio

FNB's quarterly average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. FNB's quarterly average loan-to-deposit ratio for the period January 1, 2003, to September 30, 2009, was 89 percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from 20 percent to 96 percent. FNB's average loan-to-deposit ratio is higher than four of the five similarly situated banks, which range in asset size from \$8 million to \$113 million. The similarly situated banks utilized for comparison purposes are all community banks located in Brown and Pike 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 testing 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	20	100%	0	0%	20	\$ 2,758	100%	\$ 0	0%	\$ 2,758
Residential	21	95%	1	5%	22	\$ 1,354	99%	\$ 7	1%	\$ 1,361

Totals	41	98%	1	2%	42	\$ 4,112	99%	\$ 7	<1%	\$ 4,119
--------	----	-----	---	----	----	----------	-----	------	-----	----------

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

Lending to Farms of Different Sizes and Borrowers of Different Incomes

The distribution of loans reflects reasonable penetration among farms of different sizes and families of different income levels.

Agriculture Loans

FNB’s performance of lending to farms of different sizes is reasonable. Based on our sample a reasonable penetration of the number of loans were made to small farms. Small farms are farms with annual gross revenues equal to or less than one million dollars.

The following table shows the distribution of agriculture loans among farms of different sizes within the AA:

Borrower Distribution of Loans to Farms of Different Sizes					
Farm Revenues	Number of Loans		% Farms in AA	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	18	90%	99%	\$ 2,177	79%
>\$1,000,000	2	10%	1%	\$ 582	21%
Total	20	100%	100%	\$ 2,759	100%

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

Residential Real Estate Loans

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among families of different income levels. The distribution of residential related loans based on the sample is reasonable.

FNB’s lending to moderate-income borrowers is excellent and exceeds the percentage of moderate-income families in the AA. Lending to low-income borrowers is below the percentage of low-income families in the AA. Although the lending to low-income borrowers is below the percentage of low-income families in the AA, this is considered reasonable given the excellent lending to moderate-income families and that nine percent of the families in the AA are below the poverty level.

Borrower Distribution of Residential Real Estate Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential Real Estate	22%	10%	20%	33%	25%	33%	33%	24%

Source: Bank records on loans originated or purchased from January 1, 2007 through September 30, 2009; 2000 Census Data

Geographic Distribution of Loans

A geographic distribution of loans was not performed at this examination. All the geographies are middle-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.