



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 19, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Farmers National Bank of Griggsville
Charter Number 14466**

**112 West Quincy Street
Griggsville, IL 62340**

**Comptroller of the Currency
111 West Washington Street, Suite 300
East Peoria, Illinois 61611**

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.

TABLE OF CONTENTS

INSTITUTION'S CRA RATING.....	2
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF BROWN, CALHOUN, AND PIKE COUNTIES	3
CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....	5

INSTITUTION'S CRA RATING

This institution is rated Outstanding.

- The lending by Farmers National Bank of Griggsville (“FNB”) to borrowers of different income levels regarding residential real estate loans is excellent. The residential real estate lending to moderate-income people exceeds the percentage of moderate-income families in the Assessment Area (“AA”).
- FNB’s lending to farms of different sizes is excellent. Almost two-thirds of all the agricultural credits originated during 2001 and 2002 were for \$25,000 or less. In terms of dollar volume, over one half of the total dollars were originated in loans of \$100,000 or less.
- The geographic distribution of lending by FNB is excellent. Although only two of the eight Block Numbering Areas (“BNAs”) in the bank’s AA are designated as moderate-income, FNB has originated 70 percent of all residential real estate loans and 89 percent of all agricultural loans in 2001 and 2002 within the two moderate-income BNAs.
- A substantial majority of the residential and agricultural loans originated by FNB are to customers within the AA.
- The bank’s average net loan-to-deposit ratio over the last three years is more than reasonable.

DESCRIPTION OF INSTITUTION

FNB is a \$29 million intrastate financial institution located along Interstate 72 in Pike County in West Central Illinois, approximately 35 miles West of Jacksonville, Illinois. FNB has three offices, its main office in Griggsville, one branch office 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 four ATMs; one at each of the branches in Milton and Mt. Sterling, one in the Ayerco convenience store in Pittsfield, Illinois and one in the Casey’s General store in Griggsville. The bank is a wholly owned subsidiary of Griggsville Bancshares, Inc., a \$29MM one-bank holding company located in Griggsville, Illinois.

The bank has two primary lending products, residential real estate and agricultural loans. These two areas of lending account for 72 percent of all loan originations during 2001 and 2002 and make up 73 percent of the outstanding loan balances as December 31, 2002. Thus, these two products were used for the analysis of this evaluation. Consumer and commercial loans are not the primary loan products as they only account for 28 percent of all loan originations during 2001 and 2002 and make up the remaining 27 percent of the outstanding loan balances as of December 31, 2002.

Table 1 – Loan Originations by Loan Type for 2001 & 2002		
Loan Category	\$(000)	%
Agricultural Loans	\$ 10,454	38%
Residential Loans	\$ 9,437	34%
Retail/Consumer Loans	\$ 4,417	16%
Commercial Loans	\$ 3,312	12%
Total	\$ 27,620	100%

Source: Bank Records from 2001 and 2002

As of December 31, 2002, the bank reported over \$18 million in outstanding loans and had a net loans and leases to total assets ratio of 62 percent. The loan portfolio consists of the following:

Table 2 – Loan Portfolio Summary by Loan Type December 31, 2002		
Loan Category	\$(000)	%
Agricultural Loans	\$ 7,912	43%
Residential Loans	\$ 5,560	30%
Retail/Consumer Loans	\$ 2,630	14%
Commercial Loans	\$ 2,358	13%
Total	\$ 18,460	100%

Source: Call Report 12/31/2002

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 its community. Tier 1 capital was reported at \$2.1 million. The bank's previous CRA rating as of April 1998 was Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

FNB's AA consists of eight contiguous BNAs in Brown, Calhoun, and Pike County. Just one of the two BNAs in Calhoun County are included in the AA. The southernmost BNA in Calhoun County is not included in the AA because the Milton branch could not realistically serve that area. Based on the 1990 Census median family income for the non-MSA areas in Illinois of \$29,693, the AA consists of two moderate-income BNAs and six middle-income BNAs. There are no low- or upper-income BNAs in the AA.

Based on 1990 Census data, the AA has a population of 26,360. The 2002 HUD adjusted median family income for a non-MSA area in Illinois is \$46,700. There are 7,177 families in the AA, of which 26 percent are low-income, 22 percent are moderate-income, 25 percent are middle-income, and 27 percent are upper-income. The 1990 Census data indicates there are 1,890 or 19 percent of the households in the AA are living below the poverty level.

The demand for affordable housing remains stable. The 1990 US Census data shows that there

are 11,967 housing units within the AA. Of these, 63 percent are owner-occupied units, 22 percent are rental-occupied units, and approximately 15 percent are vacant housing units. The following table displays the number and percentage of owner-occupied housing units by BNA designation:

Table 3 – Demographic Distribution of Owner-Occupied Units				
Block Numbering Area Designation	Total Housing Units	% of Housing Units	# of Owner-Occupied Units	% of Owner-Occupied
Low Income BNAs	- 0 -	0%	- 0 -	0%
Moderate Income BNAs	3,049	25%	1,888	25%
Middle Income BNAs	8,918	75%	5,666	75%
Upper Income BNAs	- 0 -	0%	- 0 -	0%
Total	11,967	100%	7,554	100%

Source: 1990 Census data

The following table details the number of families by income level by BNA designation. For example, 1,828 or 25 percent of the families in the AA are located within the two moderate-income BNAs. Of those 1,828 families, 592 or 32 percent are low-income, 381 or 21 percent are moderate-income, 476 or 26 percent are middle-income, and 379 or 21 percent are upper-income.

Table 4 - Demographic Distribution of Families in the AA										
Block Numbering Area	Number & Percentage of Families by Income Designation									
	Low-Income		Moderate-Inc		Middle-Income		Upper-Income		Total	
	#	%	#	%	#	%	#	%	#	%
Low Income	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Moderate Inc	592	32%	381	21%	476	26%	379	21%	1,828	25%
Middle Inc	1,240	23%	1,215	23%	1,346	25%	1,548	29%	5,349	75%
Upper Income	- 0 -	0%	- 0 -	0%	- 0 -	0%	- 0 -	0%	- 0 -	0%
Total	1,832	26%	1,596	22%	1,822	25%	1,927	27%	7,177	100%

Source: 1990 Census data.

Economic conditions in the AA are heavily influenced by agriculture, which has been depressed for the past four years. Major employers in the AA include; Dot Foods, Inc., Excel, Nature House, Inc., National Starch, the local school districts, and the state of Illinois Department of Corrections. As of April 2003, the unemployment rate for Brown County of 4.0 percent, Calhoun County of 4.7 percent, and Pike County of 5.3 percent compares favorably to the statewide rate of 6.3 percent and to the national average of 6.0 percent. Competition in the AA consists of 9 banks, which range in asset size from \$27 million to \$154 million.

We contacted a local businessman during the examination. The businessman indicated the primary credit needs in the Griggsville/Pike and Brown county areas are agricultural, home, automobile, and personal loans. He felt the local financial institutions were actively meeting the credit needs of the area. The contact indicated there were not credit needs or banking services not being met or provided for by the local banks. He also said the local economy remains depressed due to the prolonged adverse affects the lackluster agricultural economy has had on the community.

The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

FNB’s lending to borrowers of different income levels regarding residential real estate loans is excellent. Based on our sample, the residential real estate lending to moderate-income people exceeds the percentage of moderate-income families in the AA. While the residential real estate lending to low-income people is below the percentage of low-income families in the AA, this is considered excellent because 19 percent of the households in the AA are below the poverty level.

Since the bank is not located in a Metropolitan Statistical Area and is not subject to the requirements of the Home Mortgage Disclosure Act, income data on residential home loan borrowers is not maintained outside of the individual mortgage files. Thus, a sample of 52 residential real estate loans originated during 2001 and 2002 were used in assessing the range of distribution by the borrower income levels.

Table 5 – Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families
Residential REM	12%	26%	36%	22%	25%	25%	27%	27%

Source: 1990 Census data and bank records on residential real estate loans originated in 2001 and in 2002.

FNB’s lending to farms of different sizes is excellent. In assessing the lending performance to farms of different sizes, the amount of each credit was utilized as a proxy to the collection of farm revenue information. As listed in the following table, almost two-thirds of all the agricultural credits originated during the evaluation period were for \$25,000 or less. In terms of dollar volume, over one half of the total dollars were originated in loans of \$100,000 or less. All of the agricultural loans originated during 2001 and 2002 are included in the following table.

Table 6 – Borrower Distribution of Loans to Farms by Loan Size

Loan Size	Number of Loans	Percent of Number	Dollar Volume of Loans \$(000)	Percent of Dollar Volume
\$ 0 - \$ 25,000	162	64%	\$ 1,393	15%
\$ 25,001 - \$ 50,000	36	14%	\$ 1,287	14%
\$ 50,001 - \$100,000	29	11%	\$ 2,165	24%
\$100,001 - \$200,000	19	8%	\$ 2,516	27%
Over \$200,000	7	3%	\$ 1,879	20%

Source: Bank records, loan originations for 2001 and 2002.

Geographic Distribution of Loans

The geographic distribution of lending by FNB is excellent. Although only two of the eight BNAs in the AA are designated as moderate-income, FNB has originated 70 percent of all residential real estate loans and 89 percent of all agricultural loans in 2001 and 2002 in the two moderate-income BNAs. These high origination percentages in the moderate-income BNAs are aided by the Griggsville and Milton locations being in these two moderate-income BNAs.

The following table compares the percentage of residential real estate loans originated to the percentage of owner occupied houses by BNA income designation within the AA.

BNA Income Level	Low		Moderate		Middle		Upper	
	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing
Residential Real Estate	0%	0%	70%	25%	30%	75%	0%	0%

Source: Bank records, residential loans originated in 2001 and 2002.

The following table compares the percentage of agricultural loans originated to the percentage of farms by BNA income designation within the AA.

BNA Income Level	Low		Moderate		Middle		Upper	
	% of Number	% of AA Farms	% of Number	% of AA Farms	% of Number	% of AA Farms	% of Number	% of AA Farms
Agricultural Loans	0%	0%	89%	28%	11%	72%	0%	0%

Source: Bank records, agricultural loans originated in 2001 and 2002.

Lending in Assessment Area

A substantial majority of the loans originated by FNB are to customers from within its AA. FNB's lending to customer's 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.

Table 9 – Loans Originated within the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Agriculture	253	94%	15	6%	268	\$ 9,240	88%	\$1,214	12%	\$10,454
Residential	210	95%	12	5%	222	\$ 8,760	93%	\$ 677	7%	\$ 9,437
Retail/Consumer	737	97%	24	3%	761	\$ 4,204	95%	\$ 213	5%	\$ 4,417
Commercial	131	95%	7	5%	138	\$ 3,203	97%	\$ 109	3%	\$ 3,312
Totals	1,331	96%	58	4%	1,389	\$25,407	92%	\$2,213	8%	\$27,620

Source: Bank records on new loans originated in 2001 and 2002. All of the loan originations in 2001 and in 2002 were used to calculate the ratios in Table 9.

Loan-to-Deposit Ratio

FNB's 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, 2000, to December 31, 2002, was 79 percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions located within the AA, ranges from 56 percent to 91percent. FNB's average loan-to-deposit ratio is higher than eight of the nine similarly situated banks within the AA, which range in asset size from \$27 million to \$154 million. The similarly situated banks utilized for comparison purposes are all community banks located in Brown, Calhoun, and Pike counties.

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 Review

An analysis of recent public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in April 1999.