



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 22, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Raymond
Charter Number 6910**

**403 East Broad Street
Raymond, IL 62560**

**Comptroller of the Currency
Peoria Field Office
111 West Washington Street, Suite 300
East Peoria, IL 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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

All the lending performance components meet the standards for satisfactory performance. The major factors that support this rating are:

- The bank's lending reflects a good dispersion to borrowers of different income levels and an adequate dispersion to farms and businesses of different revenue sizes.
- The level of lending is good. The bank's average loan-to-deposit ratio is 81% and compares well to the similarly situated banks in the assessment areas (AAs).
- A majority of the bank's loans extended during this evaluation period were originated within the bank's AAs.

DESCRIPTION OF INSTITUTION

First National Bank of Raymond (FNB) is an intrastate bank wholly owned by Raymond Bancorp, Inc., a one-bank holding company, located in the city of Raymond, Illinois. The CRA evaluation period is from January 1, 2000 through December 31, 2002. As of December 31, 2002, FNB had total assets of \$106 million, net loans of \$66 million, total deposits of \$93 million, and total risk based capital of \$12 million. FNB's assets represent substantially all of the holding company's assets. There are no subsidiaries or affiliates. There have been no changes in the bank's corporate structure since the last CRA evaluation.

FNB is primarily an agricultural and residential real estate lender that operates six offices and five depository automated teller machines (ATMs). The main office is located in Raymond, Illinois (Montgomery County). Branches are located in Girard and Virden (Macoupin County), Morrisonville (Christian County), and Pawnee (Sangamon County), Illinois. Management has not closed any branches during this evaluation period.

FNB offers traditional bank services and loan products normally associated with a small rural community bank. As of December 31, 2002, net loans totaled \$66 million, representing 62% of total assets. The loan portfolio consisted of 38% farm real estate/agriculture production, 25% commercial real estate/business, 21% residential real estate, 13% consumer, and 3% other loans.

To help meet the community's credit needs, FNB originates and sells long-term fixed-rate residential real estate loans to the Federal Home Loan Bank. During this evaluation period, FNB originated and sold \$8 million of such loans.

We evaluated FNB's farm, mortgage, business, and consumer lending using data for the period beginning January 1, 2000 through December 31, 2002. Small farm and residential real estate loans represent the highest percentages of loans originated during this evaluation period by

dollar value. When considering the number of loans originated during the period, consumer loans are the bank's largest product category. Due to FNB's business focus, we gave the greatest weight to farm loans and residential real estate loans.

There are no legal or financial constraints placed on the bank's ability to help meet the community credit needs. The bank has adequate resources to provide for the credit needs of its AA. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community.

FNB's last CRA evaluation was April 21, 1999, and we rated the bank Satisfactory.

DESCRIPTION OF ASSESSMENT AREAS

Non-Metropolitan Statistical Area AA (Non-MSA AA)

Management designated portions of Montgomery, Macoupin, and Christian Counties as one of the bank's AAs. This non-MSA AA is a contiguous area, meets the requirements of the regulation, and contains five Census Tracts (CTs): 9560, 9561, 9575, 9582, and 9590. Based on the 1990 State of Illinois non-MSA median family income, five or 100% are classified as middle-income. FNB's main office is located in CT 9575 in Montgomery County.

The 1990 census data shows that the total population in the non-MSA AA was 18,424, which included 5,222 families. Of these families, 919 or 18% were classified as low-income, 915 or 17% as moderate-income, 1,295 or 25% as middle-income, and 2,093 or 40% as upper-income. The non-MSA statewide median family income as of the 1990 Census was \$29,693. The 2002-updated figure, adjusted for inflation by the Department of Housing and Urban Development, was \$46,700. We used the 2002-updated figure in our analysis to determine the borrower income levels.

Based on the 1990 census data for the non-MSA AA, 16% of the population was age 65 and older, 17% of households were in retirement, and 12% of households lived below the poverty level. In 1990, the median housing value was \$40,983 and the median age of the housing stock was 34 years. Local housing was 88% 1-4 family units, with 70% being owner-occupied and 9% vacant.

The local economy is primarily supported by agriculture and other service-related businesses. Major employers in the area are the local school districts, Grain Systems, Inc., All-Tri-R, St. Vincent's Hospital, Wal-Mart Stores, Inc., Commonwealth Edison, State of Illinois Correctional Facility, Freeman United Mining Company, Christian County Mental Health Association, Pleasant Hill Village, R & R Bindery, and Truss Slater.

Economic conditions in the non-MSA AA have been relatively stable. The average 2002 seasonally unadjusted unemployment rates for Montgomery, Macoupin, and Christian Counties were 7.1%, 5.9% and 5.7%, respectively. The national and Illinois unemployment rates for the same time period were comparable at 5.8% and 6.5%, respectively.

Competitive pressures are strong. There are 70 offices of 35 banks and thrifts operating in Montgomery, Macoupin, and Christian counties. In addition, credit unions, mortgage companies, investment services, farm services, and insurance company offices that offer loan products also provide competition.

Management indicated the primary credit needs are loans to farmers, residential real estate loans, specifically long-term fixed-rate and affordable housing loans, consumer personal and auto loans, and small business-related loans.

We made one contact with a local government official to further our understanding of the community's credit needs. Our contact identified agricultural loans and residential real estate loans, a significant portion of the bank's current lending activity, as primary credit needs in the community. Our contact also identified consumer personal and auto loans as other credit needs. Our contact did not identify any unmet credit needs and knows of no community development or other credit-related projects in which local financial institutions could participate.

Metropolitan Statistical Area Assessment Area (MSA AA)

Management designated CTs 33 and 34 in Sangamon County, which is part of the Springfield, Illinois Metropolitan Statistical Area (MSA) #7880, as the other AA. The MSA AA is a contiguous area and meets the requirements of the regulation. Based on the 1990 MSA median family income, two or 100% are classified as middle-income. FNB's Pawnee office is located in CT 33 in Sangamon County.

The 1990 census data shows that the total population in the MSA AA was 9,829, which included 2,815 families. Of these families, 587 or 21% were classified as low-income, 590 or 21% as moderate-income, 816 or 29% as middle-income, and 822 or 29% as upper-income. The MSA median family income as of the 1990 Census was \$37,373, and the 2002-updated figure was \$64,900. We used the 2002-updated figure in our analysis to determine the borrower income levels.

Based on the 1990 census data for the MSA AA, 13% of the population was age 65 and older, 16% of households were in retirement, and 8% of households lived below the poverty level. In 1990, the median housing value was \$47,488 and the median age of the housing stock was 28 years. Local housing was 90% 1-4 family units, with 73% being owner-occupied and 6% vacant.

The local economy is primarily supported by service-related businesses. Major employers in the area are the local school districts, Dickey-John Corp., Truckers Homestead, Inc., Bill Langheim Concrete Service, Lynncrest Manor, and Springfield Plastics.

Economic conditions in the MSA AA have been good. The average 2002 seasonally unadjusted unemployment rate for Sangamon County is 4.6%. This compares well to the national and Illinois unemployment rates for the same time period at 5.8% and 6.5%, respectively.

Competitive pressures are strong. There are 78 offices of 26 banks and thrifts operating in Sangamon County. These numbers do not include credit unions, mortgage companies,

investment services, farm services, and insurance company offices that offer loan products.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB does a good job of meeting the credit needs within its AAs, including those of low- and moderate-income people and small farms and businesses, given the demographics, economic factors, and competitive pressures faced by the bank. Please refer to the “Description of Institution” and “Description of Assessment Areas” sections of this evaluation for details on these performance context factors.

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

The bank’s lending reflects a good dispersion to borrowers of different income levels and an adequate dispersion to farms and businesses of different revenue sizes. Lending levels, as shown by the volume of all loans generated, reflect good responsiveness to the credit needs of the AAs.

We placed more weight on the lending activities in the non-MSA AA because the volume of these loans exceeds the volume of loans originated and purchased in the MSA AA.

We evaluated FNB’s farm, mortgage, business, and consumer lending using data for the period beginning January 1, 2000 through December 31, 2002. Small farm and residential real estate loans represent the highest percentages of loans originated during this evaluation period by dollar value. When considering the number of loans originated during the period, consumer loans are the bank’s largest product category.

Using only loans made within the non-MSA AA, we sampled 35 residential real estate loans, 22 consumer loans, 20 farm loans, and 21 business loans originated from January 1, 2000 through December 31, 2002. Residential real estate loans were not differentiated by type, i.e., home purchase, refinancing, and home improvement, because that information was not readily available.

Using only loans made within the MSA AA, we reviewed all Home Mortgage Disclosure Act (HMDA) reportable loans originated and purchased from 2000 through 2002. We also sampled 22 consumer loans and 20 business loans originated from January 1, 2000 through December 31, 2002. We did not sample farm loans, as it is not a primary product type for the MSA AA.

Non-MSA AA

Residential Real Estate Loans

The borrower distribution of residential real estate loans in the non-MSA AA is good. In evaluating the borrower distribution of residential real estate loans, we considered the moderate level of families that live below the poverty level (9% of families) and the barriers this might have on home ownership. Many of the sampled loans were refinances and it is likely that middle- and upper-income borrowers can more easily afford the costs associated with refinancing. The data used to evaluate FNB’s residential lending activity is presented in the following table.

Borrower Distribution of Residential Real Estate Loans in non-MSA 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 Real Estate	18%	9%	17%	26%	25%	17%	40%	48%

Sources: Loan Sample and 1990 US Census Information. The updated 2002 non-MSA median family income is \$46,700. The income categories are defined as: less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of \$46,700.

Based on the sample of loans selected, the bank's residential lending to low-income borrowers (9%) is significantly below the percentage of low-income families (18%) in the non-MSA AA; however, it is considered reasonable because it can be difficult for a family with income below the poverty level to afford home ownership. Residential lending to moderate-income borrowers (26%) significantly exceeds the percentage of moderate-income families (17%).

Consumer Loans

The borrower distribution of consumer loans in the non-MSA AA is adequate. The opportunities to make loans to low-income borrowers are limited by the high percentage of people living below the poverty level (12% of households). The data used to evaluate FNB's consumer lending activity is presented in the following table.

Borrower Distribution of Consumer Loans in non-MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	20%	14%	16%	27%	19%	32%	45%	27%

Sources: Loan Sample and 1990 US Census Information.

Based on the sample of loans selected, the bank's consumer lending to low-income borrowers (14%) is quite a bit below the percentage of low-income households (20%) in the AA. Consumer lending to moderate-income borrowers (27%) exceeds the percentage of moderate-income households (16%).

Farm Loans

The bank's lending distribution to farms of different revenue sizes in the non-MSA AA is adequate. The data used to evaluate FNB's farm lending activity is presented in the following

table.

Borrower Distribution of Loans to Farms in non-MSA AA		
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Farms	99%	1%
% of Bank Loans in AA by #	90%	10%
% of Bank Loans in AA by \$	97%	3%

Source: Loan Sample and Dunn and Bradstreet 2002 data.

Based on the sample of loans selected, FNB’s lending to small farms (90%) with revenues of \$1 million or less is below the percentage of small farms (99%) in the non-MSA AA.

Business Loans

The bank’s lending distribution to businesses of different revenue sizes in the non-MSA AA is adequate. The data used to evaluate FNB’s business lending activity is presented in the following table.

Borrower Distribution of Loans to Businesses in non-MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79%	6%	15%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	91%	9%	0%	100%

Source: Loan Sample and Dunn and Bradstreet 2002 data.

Based on the sample of loans selected, FNB’s lending to small businesses (95%) with revenues of \$1 million or less is comparable to the percentage of small businesses (79%) that reported their revenues in the AA. Fifteen percent of businesses in the AA did not report their revenues.

MSA AA

Residential Real Estate Loans

The borrower distribution of home mortgage loans is excellent in the bank's MSA AA. We placed more emphasis on home refinance loans because the volume of these loans exceeds the volume of home purchase and home improvement loans. Of the total home mortgage loans, home refinance loans accounted for 56%, home purchase loans accounted for 36%, and home improvement loans accounted for 8%.

We also considered the moderate level of families that live below the poverty level (7% of families) and the barriers this might have on home ownership. Many of the HMDA loans were refinances and it is likely that middle- and upper-income borrowers can more easily afford the costs associated with refinancing. The data used to evaluate FNB’s residential lending activity is

presented in the following table.

Borrower Distribution of Residential Real Estate Loans in MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	21%	19%	21%	33%	29%	33%	29%	15%
Home Improvement	21%	50%	21%	17%	29%	17%	29%	16%
Home Refinance	21%	24%	21%	20%	29%	29%	29%	27%

Sources: HMDA data and based on 1990 U.S. Census data. The updated 2002 MSA median family income is \$64,900. The income categories are defined as: less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of \$64,900.

The borrower distribution for home purchase loans is excellent. The percentage of home purchase loans made to low-income borrowers (19%) is just below the percentage of low-income families (21%) in the MSA AA. Home purchase loans (33%) made to moderate-income borrowers significantly exceed the percentage of moderate-income families (21%) in the MSA AA.

The borrower distribution for home improvement loans is excellent. The percentage of home improvement loans made to low-income borrowers (50%) significantly exceeds the percentage of low-income families (21%) in the MSA AA. The percentage of home improvement loans made to moderate-income borrowers (17%) is slightly below the percentage of moderate-income families (21%) in the MSA AA.

The borrower distribution for home mortgage refinance loans is excellent. The percentage of refinance loans (24%) made to low-income borrowers is slightly above the percentage of low-income families (21%) in the MSA AA. Refinance loans made to moderate-income borrowers (20%) is at the percentage (21%) of moderate-income families in the AA.

Consumer Loans

The borrower distribution of consumer loans in the MSA AA is excellent. The opportunities to make loans to low-income borrowers are limited by the moderate percentage of people living below the poverty level (8% of households). The data used to evaluate FNB's consumer lending activity is presented in the following table.

Borrower Distribution of Consumer Loans in MSA AA				
Borrower Income Level	Low	Moderate	Middle	Upper

	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	23%	46%	18%	36%	21%	18%	38%	0%

Sources: Loan Sample and 1990 US Census Information.

Based on the sample of loans selected, the bank's consumer lending to low-income borrowers (46%) notably exceeds the percentage of low-income households (23%) in the MSA AA. Consumer lending to moderate-income borrowers (36%) significantly exceeds the percentage of moderate-income households (18%).

Business Loans

The bank's lending distribution to businesses of different revenue sizes in the MSA AA is adequate. The data used to evaluate FNB's business lending activity is presented in the following table.

Borrower Distribution of Loans to Businesses in MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	77%	5%	18%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	69%	31%	0%	100%

Source: Loan Sample and Dunn and Bradstreet 2002 data.

Based on the sample of loans selected, FNB's business lending to small businesses (95%) with revenues of \$1 million or less is comparable to the percentage of small businesses (77%) that reported their revenues in the AA. Eighteen percent of businesses in the AA did not report their revenues.

Geographic Distribution of Loans

A geographic analysis was not performed, as all geographies in the AAs are middle-income.

Bank-generated reports detailing FNB's lending activity over the evaluation period for residential real estate loans, consumer loans, farm loans, and business loans were reviewed to identify gaps in the geographic distribution of those loans. No conspicuous gaps were identified.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is good. As of December 31, 2002, the bank's LTD ratio was

71%. FNB's quarterly average LTD ratio since the 1999 CRA examination was 81%. This ratio compares well to the five similarly situated banks in the area whose quarterly average LTD ratios ranged from 62% to 78%, with an average ratio of 69%. These banks are considered similarly situated because of their size, location, and lending opportunities.

It should also be noted FNB originates and sells long-term fixed-rate residential real estate loans to the Federal Home Loan Bank. During this evaluation period, FNB originated and sold loans totaling \$8 million. Because these loans are sold, they are not reflected in the bank's LTD ratio.

Lending in Assessment Area

Lending in the AA is reasonable. We tested bank-generated reports detailing FNB's lending activity over the evaluation period and determined that we could rely on the data. The data shows that 78% by number and 73% by dollar were made within the bank's AAs.

Responses to Complaints

FNB has not received any complaints about its performance in helping to meet community credit needs since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.