



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 29, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Barry
Charter Number 5771

694 Bainbridge Street
Barry, Illinois 62312

Office of the Comptroller of the Currency

Peoria Field Office
One Technology Plaza
211 Fulton Street Suite 602
Peoria, Illinois 61602

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 Barry (FNB) is rated Satisfactory.**

The Lending Test is rated Satisfactory.

The major factors that support FNB's rating include:

- The distribution of loans to borrowers of different income levels and to farms of different sizes is reasonable.
- A majority of the loans originated by FNB are to borrowers inside its AA.
- FNB's quarterly average loan-to-deposit ratio of 80 percent over the evaluation period is reasonable.

Scope of Examination

We evaluated FNB under the Small Bank examination procedures, which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities.

The lending test for FNB covers its performance from January 1, 2011 through December 31, 2012, as this is representative of its lending strategy since the previous CRA examination. The evaluation period is from the previous CRA examination, August 6, 2007, through January 29, 2013.

FNB's primary loan products are agriculture, residential, and consumer loans. The bank is not located in a Metropolitan Statistical Area and is not required to report data under the requirements of the Home Mortgage Disclosure Act (HMDA).

FNB is not required to maintain revenue information on agricultural, residential, and consumer loans outside of the individual credit files. Thus, we used a sample of 21 agriculture loans originated during 2011 and 21 originated during 2012 to assess the level of lending to farms of different sizes. We used a sample of 20 residential loans originated during 2011 and 20 originated during 2012 to assess the range of distribution by families of different incomes. One origination was not used from the 2011 sample because the borrower is a bank employee. We used a sample of 20 consumer loans originated during 2011 and 22 originated during 2012 to assess the range of distribution by households of different incomes.

Description of Institution

FNB is a \$126 million financial institution located near Interstate 72 in Pike County in West Central Illinois. FNB is headquartered at 694 Bainbridge Street in Barry, Illinois, approximately 35 miles southeast of Quincy, Illinois, and 75 miles west of Springfield, Illinois. FNB has three additional full-service branch locations: 400 South Main Street, Liberty, Illinois, 525 West Washington, Pittsfield, Illinois, and 20883 IL Route 125, Virginia, Illinois, and one limited-service location: Cieten Plaza in Barry, a drive-up only facility. The bank has six Automated Teller Machines (ATM); one at each of the Liberty, Pittsfield, and Virginia branches, one at the Save-A-Lot in Pittsfield, and two in Barry; one each at the Barry Travel Plaza and at Stroemer Foods.

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

Since the previous CRA evaluation, FNB added the Virginia branch and ATM and the ATM located at the Save-A-Lot in Pittsfield.

FNB is a private, closely held institution and does not have any affiliates. FNB's business strategy is "the bank of friendly service."

FNB's three primary lending products are agriculture, residential, and consumer loans. Agriculture lending accounted for 42 percent of the amount of all loan originations during the evaluation period and made up 39 percent of the outstanding loan balances as December 31, 2012. Residential lending accounted for 27 percent of the amount of all loan originations during the evaluation period and made up 20 percent of the outstanding loan balances. Although consumer loans did not have a large dollar amount of originations, they did account for 54 percent of the number of loans originated over the evaluation period. Therefore, we included consumer loans in the sampling and analysis of this evaluation. Commercial lending is not a primary loan product. Commercial loans accounted for 21 percent of the amount and 12 percent of the number of loan originations during the evaluation period.

Table 1 - Loan Originations by Loan Type from January 1, 2011 through December 31, 2012				
Loan Category	Dollars (000s)	% of Dollars	Number of Loans	% of Number of Loans
Agriculture Loans	\$ 40,456	42%	478	21%
Commercial Loans	\$ 20,837	21%	286	12%
Residential Loans	\$ 25,847	27%	295	13%
Consumer Loans	\$ 9,595	10%	1,260	54%
Total Originations	\$ 96,735	100%	2,319	100%

Source: Bank Records (Note Register) from January 1, 2011 – December 31, 2012.

As of December 31, 2012, FNB reported net loans of \$87 million and had a net loans and leases to total assets ratio of 68%. The loan portfolio composition is as follows:

Table 2 - Loan Portfolio Summary by Loan Product December 31, 2012		
Loan Category	Dollars Outstanding (000s)	% of Outstanding Dollars
Agriculture Loans	\$ 33,803	39%
Commercial Loans	\$ 28,254	33%
Residential Loans	\$ 17,633	20%
Consumer Loans	\$ 7,161	8%
Total Loans	\$ 86,851	100%

Source: Call Report December 31, 2012.

There are no legal or financial impediments to FNB's ability to meet the credit needs of its AA. The bank was rated Satisfactory at its previous CRA examination dated August 6, 2007.

Description of Assessment Area

FNB’s assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. FNB has one AA in West Central Illinois, which includes portions of Adams and Cass Counties and all of Pike County. The AA includes eight census tracts (CT), five in Pike County, two in Adams County, and one in Cass County. All CTs are designated as middle-income areas.

The bank’s AA changed since the previous examination. The bank opened a branch and ATM in Virginia, IL, requiring the addition of the CT in which the branch and ATM are located. We revised the bank’s AA, removing counties and CTs that did not need to be included. These counties and CTs did not need to be included because the bank has no branches or ATMs, and originates a small portion of loans there.

The 2000 and 2010 U.S. Census data shows that the AA does not include any low-, moderate-, or upper-income CTs.

Table 3 - 2011 Demographic Information for the Assessment Area					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	8	0%	0%	100%	0%
Population by Geography	29,556	0%	0%	100%	0%
Owner-Occupied Housing by Geography	9,110	0%	0%	100%	0%
Businesses by Geography	3,062	0%	0%	100%	0%
Farms by Geography	593	0%	0%	100%	0%
Family Distribution by Income Level	8,281	19%	20%	26%	35%
Household Distribution by Income Level	11,415	23%	17%	20%	40%
Census Median Family Income (MFI)		\$43,613	Median Housing Value		\$60,986
HUD-Adjusted MFI: 2011		\$56,600	Families Below the Poverty Level		11%
			Unemployment Rate*		8%

Source: 2000 U.S. Census Data and *Illinois Department of Employment Security 2011.

Table 4 - 2012 Demographic Information for the Assessment Area

	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	8	0%	0%	100%	0%
Population by Geography	28,528	0%	0%	100%	0%
Owner-Occupied Housing by Geography	9,140	0%	0%	100%	0%
Businesses by Geography	2,663	0%	0%	100%	0%
Farms by Geography	590	0%	0%	100%	0%
Family Distribution by Income Level	7,923	19%	17%	25%	39%
Household Distribution by Income Level	11,217	20%	19%	21%	40%
Census Median Family Income (MFI)		\$54,549	Median Housing Value		\$86,726
HUD-Adjusted MFI: 2012		\$57,400	Families Below the Poverty Level		10%
			Unemployment Rate*		7%

Source: 2010 U.S. Census Data and* Illinois Department of Employment Security 2012.

The local economy is still experiencing the lingering effects of the recent economic downturn. The December 2012 unemployment rate of 7 percent for Pike County compares favorably to the Illinois rate of 8.6 percent and the U.S. rate of 7.6 percent. The economy of the AA is concentrated in agriculture and outdoor recreational activities. Major employers include local community schools, Barry Community Care Center, J.P.I. & Truckload Foods, Stroemer Foods, Lumley Trucking, JIREH, Rennecker Equipment, Inc., and city and county governments.

Competition for financial services within the AA is primarily from several state-chartered banks and a few national banks that serve the same communities and have a similar business focus. Competition at the bank's Virginia branch is a little greater as this is a new area for the bank to gain market share. Other competitors in the broader area consist of smaller community banks, larger banks, and a credit union in the Quincy area. The bank also faces competition from in-house financing provided at farm implement and car dealers within the AA. The Farm Credit Administration out of Quincy is another source of competition for agriculture loans.

We contacted a local director of economic development. The contact indicated the primary credit need in the AA is agriculture loans. The contact indicated that they are unaware of any credit products needed in the community that are not being offered by local financial institutions. The contact stated that residents of Pike County have been seeking work in surrounding counties and that this practice has possibly skewed the income distribution higher in Pike County. Overall, the contact feels that FNB remains very supportive of the community's financial needs and that their employees are actively involved in the community.

Conclusions with Respect to Performance Tests

FNB meets the standards for satisfactory performance.

- FNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.
- A majority of the loans originated by FNB are to borrowers inside its AA.
- The distribution of loans to individuals of different income levels and to farms of different sizes is reasonable.

LENDING TEST

Loan-to-Deposit Ratio

FNB's 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 August 6, 2007 to January 29, 2013 was 80 percent. FNB had a quarterly low of 74 percent and a quarterly high of 89 percent.

FNB's loan-to-deposit ratio compares favorably with other community banks of similar size, location, and product offerings. FNB ranks fourth among seven similarly situated banks serving its AA. The quarterly average loan-to-deposit ratio for the other six banks over the same period ranged from 68 percent to 102 percent. The similarly situated banks used for comparison are community banks located in Adams, Cass, and Pike County and range in asset size from \$98.46 million to \$173.59 million.

Lending in Assessment Area

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

Table 5 - Lending in the Assessment Area										
Loan Product	Number of Loans					Dollars of				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agriculture	21	88%	3	12%	24	\$1,458	78%	\$417	22%	\$1,875
Residential	15	60%	11	40%	26	\$1,462	59%	\$1,020	41%	\$2,482
Consumer	25	78%	7	22%	32	\$125	72%	\$48	28%	\$173
Total	61	74%	21	26%	82	\$3,045	67%	\$1,485	33%	\$4,530

Source: Bank records for agriculture, residential, and consumer lending in 2011 and 2012.

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

Performance in the AA

The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and farms of different sizes, given the demographics of the AA. Agriculture loans were identified as a credit need in the AA.

Agriculture Loans

The distribution of loans to farms reflects reasonable penetration among farms of different sizes. The bank originated 76 percent of agriculture loans to small farms during 2011. Small farms are farms with gross annual revenues of one million dollars or less. This is considered reasonable compared to demographic data that shows 99 percent of the area’s farms are considered small farms. Because we lacked revenue data on 24 percent of the agriculture loans made by the bank, we also looked at the distribution of loans by dollar amount. We found that 95 percent of the agriculture loans in the 2011 sample were loans under \$150 thousand and the average loan amount was \$31 thousand. This provides additional support for a reasonable distribution of loans to small farms.

The following table shows the distribution of agriculture loans among different sized farms within the AA originated during 2011.

Table 6 - Borrower Distribution of Loans to Farms of Different Sizes 2011				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farm	99%	0.5%	0.5%	100%
% of Bank Loans in AA by #	76%	0%	24%	100%
% of Bank Loans in AA by \$	95%	0%	5%	100%

Source: Agriculture loan data sampled for 2011; 2000 Census Data.

The bank originated 90 percent of agriculture loans to small farms during 2012. This is considered reasonable compared to demographic data that shows 99 percent of the area’s farms are considered small farms. The following table shows the distribution of agriculture loans among different sized farms within the AA originated during 2012.

Table 7 - Borrower Distribution of Loans to Farms of Different Sizes 2012				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farm	99%	1%	0%	100%
% of Bank Loans in AA by #	90%	5%	5%	100%
% of Bank Loans in AA by \$	89%	10.7%	0.3%	100%

Source: Agriculture loan data sampled for 2012; 2010 Census Data.

Residential Loans

The distribution of residential loans to borrowers of different income levels during 2011 reflects reasonable penetration. Lending to low-income families within the AA is significantly below the demographic comparator; however, this is mitigated by the AA's 11 percent poverty rate. Residential lending to moderate-income individuals within the AA exceeded the demographic comparator during the same period.

Table 8 - Borrower Distribution of Residential Real Estate Loans 2011								
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
Residential	19%	5%	20%	21%	26%	21%	35%	53%

Source: Residential Real Estate loan data sampled for 2011; 2000 Census Data.

The distribution of residential loans to borrowers of different income levels during 2012 reflects reasonable penetration. While lending to moderate-income families within the AA exceeded the demographic comparator, lending to low-income families was significantly below the comparator. This is mitigated by the AA's 10 percent poverty rate in 2012.

Table 9 - Borrower Distribution of Residential Real Estate Loans 2012								
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
Residential	19%	10%	17%	25%	25%	15%	39%	50%

Source: Residential Real Estate loan data sampled for 2012; 2010 Census Data.

Consumer Loans

The distribution of consumer loans to borrowers of different income levels reflects poor penetration for 2011. In 2011, the bank originated a lower percent of loans to low- and moderate-income households than the percent of low- and moderate-income households in the AA. Performances ranging from lower than the ratio to near the ratio for consumer loans defines a poor rating.

Table 10 - Borrower Distribution of Consumer Loans 2011								
Household Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	23%	10%	17%	15%	20%	55%	40%	20%

Source: Consumer loan data sampled for 2011; 2000 Census Data.

The distribution of consumer loans to borrowers of different income levels reflects reasonable penetration for 2012. In 2012, the percent of loans made to low- and moderate-income households slightly exceeded the amount of low- and moderate-income households in the AA.

Table 11 - Borrower Distribution of Consumer Loans 2012								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	20%	23%	19%	18%	21%	23%	40%	36%

Source: Consumer loan data sampled for 2012; 2010 Census Data.

Geographic Distribution of Loans

We did not perform a geographic distribution test, as all 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.