



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 6, 2007

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

North Central Illinois & Eastern Iowa Field Office
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.

INSTITUTION'S CRA RATING

First National Bank of Barry ("FNB") is rated satisfactory.

The major factors that support FNB's rating include:

- FNB's distribution of loans to individuals of different income levels and to farms and businesses of different sizes is satisfactory.
- A majority of the loans originated by FNB are to customers from within its assessment area ("AA").
- FNB's quarterly average loan-to-deposit ratio of sixty-nine percent over the evaluation period is reasonable, given the bank's size, financial condition, and AA credit needs.

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 March 11, 2002 through June 30, 2007.
- FNB has one AA, 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 agricultural, commercial, and consumer loans originated or purchased from January 1, 2005 through June 30, 2007, utilizing 2000 census 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 agricultural, commercial, and consumer loans outside of the individual credit files. Thus, a sample of 21 agriculture and 20 commercial loans originated during the evaluation period were used to assess the level of lending to businesses and farms of different sizes. A sample of 39 consumer loans originated during the evaluation period was used in assessing the range of distribution by households of different incomes.

DESCRIPTION OF INSTITUTION

FNB is a \$103 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 two additional full-service branch locations: 400 South Main Street, Liberty, Illinois, and 525 West Washington, Pittsfield, Illinois, and one limited-service location: Cieten Plaza in Barry, a drive-up only facility. The bank has four Automated Teller Machines (ATM); one at each of the Liberty and Pittsfield branches, 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, review of account balances or transactions, access 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 drive-up branch location in Cieten Plaza. Additionally, FNB added an ATM location at Stroemer Foods in Barry.

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

FNB has three primary lending products; agriculture, commercial, and consumer loans. Agricultural and commercial lending account for 75 percent of the amount of all loan originations during the evaluation period and make up 76 percent of the outstanding loan balances as June 30, 2007. Although consumer loans do not have a large dollar amount of originations, they did account for 55 percent of the number of all loans originated over the evaluation period. Therefore, consumer loans were included in the sampling and used in the analysis of this evaluation. Residential lending is not a primary loan product, accounting for 14 percent of the amount and 7 percent of the number of loan originations during the evaluation period, and the remaining 16 percent of the outstanding loan balances as of June 30, 2007.

Table 1 – Loan Originations by Loan Type from January 1, 2005 through June 30, 2007				
Loan Category	\$ (000)	%	#	%
Agricultural Loans	\$ 37,901	48%	602	24%
Commercial Loans	\$ 21,686	27%	357	14%
Residential Loans	\$ 10,860	14%	167	7%
Consumer Loans	\$ 8,973	11%	1,389	55%
Total Originations	\$ 79,420	100%	2,515	100%

Source: Bank Records from January 1, 2005 – June 30, 2007

As of June 30, 2007, the bank reported \$69 million in outstanding loans and had a net loans and leases to total assets ratio of 65 percent. The loan portfolio consists of the following:

Table 2 – Loan Portfolio Summary by Loan Type June 30, 2007		
Loan Category	\$(000)	%
Agriculture Loans	\$ 30,067	43%
Commercial Loans	\$ 22,592	33%
Residential Loans	\$ 10,935	16%
Consumer Loans	\$ 5,499	8%
Total Loans	\$ 69,093	100%

Source: Call Report June 30, 2007

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 AA. Tier 1 capital was reported at \$15 million as June 30, 2007. The bank's previous CRA rating as of March 11, 2002, was Satisfactory.

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, no change from the prior evaluation, consisting of portions of Adams and Pike Counties. The AA includes five census tracts ("CTs"), one in Adams County and four 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.

The following is demographic information for the assessment area:

Table 3 - Demographic Information for the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	5	0%	0%	100%	0%
Population by Geography	20,498	0%	0%	100%	0%
Owner-Occupied Housing by Geography	6,239	0%	0%	100%	0%
Businesses by Geography	1,732	0%	0%	100%	0%
Farms by Geography	424	0%	0%	100%	0%
Family Distribution by Census Tract	5,684	0%	0%	100%	0%
Family Distribution by Income Level	5,684	21%	20%	25%	34%
Household Distribution by Income Level	7,913	25%	17%	20%	38%
Median Family Income	\$39,862	Median Housing Value			\$58,966
Median Household Income	\$32,838	Median Year Built			1956
2007 HUD Adjusted Median Family Income for Illinois Non-MSA	\$50,600	Average Monthly Gross Rent			\$ 356
Families Below the Poverty Level	9%	Households Below the Poverty Level			12%

Source: 2000 U.S. Census Data

Economic Data

The local economy has recently experienced a slight down turn. The June 2007 unemployment rate of 4.5% for Pike County is in line with the national average of 4.5% and compares favorably to the State of Illinois average of 5.1%. The economy of the AA is concentrated in agriculture and outdoor recreational activities. Major employers include: Jones Poultry, Illini Community Hospital, the Barry Community Care Center, JIREH, Inc., the local school districts, and the city and county government.

We contacted a local public official during the examination. The contact indicated the primary credit needs in the AA are agriculture, and general consumer loans. He felt FNB is actively meeting the credit needs of the area. The contact stated the economy in the area is experiencing a slight downturn due to higher fuel prices resulting in less disposable income. The contact indicated FNB remains very supportive of Barry's financial needs. The public official does not know of any credit needs or banking services not met or provided for by the local financial institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB meets the standards for satisfactory performance.

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

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO FARMS AND BUSINESSES OF DIFFERENT SIZES

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels (including low-, and moderate-income) and businesses and farms of different sizes.

Agriculture Loans

FNB's performance of lending to farms of different sizes is excellent. Based on our sample, one-hundred percent of the number of loans and dollar amounts were made to small farms. Small farms are farms with annual gross revenues equal to or less than one million dollars. The demographic data for the AA shows that ninety-seven percent of the farms reporting revenue data in the AA have revenues equal to or less than one million dollars.

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

Farm Revenues	Number of Loans		% Farms in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	21	100%	97%	\$ 1,414	100%
>\$1,000,000	0	0%	2%	\$ 0	0%
Total	21	100%	99%	\$ 1,414	100%

Source: Bank records on new loans originated from January 1, 2005 to June 30, 2007; 2000 Census Data.

** 1 percent of AA farms did not report revenue data.

Commercial Loans

FNB's performance of lending to businesses of different sizes is reasonable. Based on our sample, ninety-five percent of the number of loans was made to small businesses, while eighty-seven percent of the dollar amounts were loans made to small businesses. Small businesses are businesses with annual gross revenues equal to or less than one

million dollars. The demographic data for the AA shows that forty-four percent of the businesses reporting revenue data in the AA have revenues equal to or less than one million dollars.

The following table shows the distribution of commercial loans among businesses of different sizes within the AA:

Table 5 – Borrower Distribution of Loans to Businesses of Different Sizes					
Business Revenues	Number of Loans		% Businesses in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	19	95%	44%	\$ 346	87%
>\$1,000,000	1	5%	3%	\$ 51	13%
Total	20	100%	47%	\$ 397	100%

Source: Bank records on new loans originated from January 1, 2005 to June 30, 2007; 2000 Census Data. ** 53 percent of AA businesses did not report revenue data.

Consumer Loans

FNB's lending to borrowers of different income levels regarding consumer loans is reasonable. Based on our sample, lending to moderate-income borrowers is slightly above the percentage of moderate-income households in the AA, while the lending to low-income borrowers is well below the percentage of low-income households in the AA. Although our sample of consumer loans indicates the lending to low-income borrowers is well below the percentage of low-income households in the AA, this is still considered satisfactory due to several mitigating factors. The household poverty rate in the AA is twelve percent and FNB does not collect income information on a large portion of the consumer loans they originate. FNB does not require a loan application on loan requests of \$2,000 or less, which represents thirty-two percent of the consumer loan originations in the evaluation period. Also, a consumer loan underwriting worksheet is not completed on established customers who do not have a history of payment delinquencies.

Table 6 – Borrower Distribution of Consumer Loans in the AA								
Household Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number
Consumer	25%	5%	17%	18%	20%	33%	38%	44%

Source: Bank records on loans originated or purchased from January 1, 2005 to June 30, 2007; 2000 Census Data.

LENDING IN THE ASSESSMENT AREA

A 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 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 7 – Loans Originated within the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Commercial	326	91%	31	9%	357	\$ 19,744	91%	\$1,942	9%	\$ 21,686
Agriculture	528	88%	74	12%	602	\$ 35,499	94%	\$2,402	6%	\$ 37,901
Consumer	1,182	86%	196	14%	1,378	\$ 7,451	84%	\$1,452	16%	\$ 8,903
Totals	2,036	87%	301	13%	2,337	\$ 62,694	92%	\$5,796	8%	\$ 68,490

Source: Bank records on new loans originated in 2005, 2006, and through June 30, 2007.

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 January 1, 2002, to June 30, 2007, was sixty-nine percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from fifty-nine percent to ninety-five percent. FNB's average loan-to-deposit ratio is comparable with the other seven similarly situated banks, which range in asset size from \$37 million to \$209 million. The similarly situated banks utilized for comparison purposes are community banks located in Adams and Pike County.

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.