



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 11, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Barry
Charter Number 5771**

**694 Bainbridge Street
Barry, IL 62312**

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.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of The First National Bank of Barry (FNBB), Barry, Illinois, as prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of March 11, 2002. The agency rates the CRA Performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".

The major factors that support FNBB's rating include

- **A reasonable level of lending to borrowers of different income levels within the bank's assessment area (AA).**
- **A reasonable geographic distribution of loans within the AA.**
- **A reasonable level of lending to businesses of different income levels within the AA.**

DESCRIPTION OF INSTITUTION

FNBB is a \$113 million intrastate financial institution located in rural west central Illinois. FNBB is headquartered in Barry, Illinois, approximately 35 miles southeast of Quincy, Illinois, and 75 miles west of Springfield, Illinois.

FNBB has two branches and one drive up facility. The main office is located in Barry, Illinois with a branch in Pittsfield and a branch in Liberty, Illinois. The bank has two ATM locations, one at the Barry Travel Plaza and one at the Pittsfield branch. Neither of the ATM's receives deposits.

The bank's primary business focus is agricultural lending. They also offer commercial, residential real estate, and consumer loans. The bank participates in government guaranteed programs such as United States Department of Agriculture Farm Service Agency, United States Department of Agriculture business and industry loans, Illinois Farm Development Authority loans, and Two Rivers Regional Council loans.

As of December 31, 2001, the bank reported approximately \$54 million in outstanding loans and had a net loans and leases to total assets ratio of 55%. Tier 1 capital was reported at \$13 million. The loan portfolio consists of the following:

Loan Category	\$(000)	%
Agricultural Loans	\$ 27,187	50.13
Commercial Loans	\$ 14,736	27.17
Residential Loans	\$ 7,432	13.70
Consumer Loans	\$ 4,884	9.00
Total	\$ 54,239	100.00

Source: Call Report 12/31/2001

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. The bank's previous CRA rating as of April 7, 1997 was Satisfactory.

DESCRIPTION OF THE ASSESSMENT AREA

FNBB's assessment area (AA) consists of portions of Adams and Pike Counties. This is a rural non-metropolitan area located in west central Illinois. The bank's delineated community only includes portions of Pike and Adams County. These portions represent an area most contiguous to the bank. The AA includes five contiguous Block Numbering Areas (BNAs), one in Adams County and four in Pike County. Based on the 1990 Census median income of \$29,693, the AA consists of one moderate-income BNA (20.00%) and four middle-income (80.00%) BNAs. There are no lower- or upper-income BNAs. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geography.

Based on 2000 Census data, the AA has a population of 20,454. The 2000 HUD adjusted median family income for the AA is \$29,693. There are 6,014 families in the AA, of which 22.68% are considered low-income, 22.73% are moderate-income, 27.88% are considered middle-income, and 26.70% are considered upper-income. The 1990 Census indicates that 16.45% of the families in this AA are living below the poverty level.

Based on 2001 business demographic data, there were 805 businesses in the AA. Of these, 725 (90.06%) had revenues of less than \$1 million, 49 (6.09%) had revenues of more than \$1 million, and 31 (3.85%) did not report revenue information. There were 99 businesses (12.30%) in moderate-income geography, and 706 businesses (87.70%) in middle-income geographies. There were no low-income or upper-income geographies.

Based on 2001 business demographic data, there were 479 farms in the AA. Of these, 474 (98.96%) had revenues of less than \$1 million, five (1.04%) had revenues of more than \$1 million. There were 109 farms (22.76%) in the moderate-income geography, and 370 farms (77.24%) in middle-income geographies. There were no low-income or upper-income geographies.

The affordable housing demand is strong. The 1990 US Census data shows that there are 8,868 housing units within the bank's AA. Of these, 67% are owner-occupied units, 22% are rental-occupied units, and approximately 11% are vacant housing units.

The local economy is considered stable. The 2000 Local Area Unemployment Statistics show Adams County unemployment rate is 3.4%, and Pike County's unemployment rate is 5.7%. The major employers in the community are Barry Community Care Center (Nursing Home), Jones Poultry Processing Plant, J.I.R.E.H. Tire Re-capping, Barry Community Schools, and The First National Bank of Barry. Farming is also a major occupation in the area.

FNBB's major competitors within its assessment area include; Central State Bank located in Clayton with assets of \$63 million, Farmers (State) Bank of Liberty with assets of \$36 million, State Street (State) Bank and Trust located in Quincy with assets of \$108 million, Farmers National Bank of Griggsville with assets of \$22 million, Corn Belt (State) Bank and Trust located in Pittsfield with assets of \$121 million, Kinderhook State Bank with assets \$27 million, and Farmers State Bank of Pittsfield with assets of \$138 million.

We conducted one community contact interview during our examination. We contacted the Economic Development Committee for Pike County, located in Barry, Illinois. The contact indicated some of the major credit needs to be construction of affordable rental housing and more good paying jobs. With the assistance of grants they were able to bring two major employers to the community; J.I.R.E.H. Truck Tire Recapping (providing approximately 25 jobs) and Jones Poultry (providing approximately 45 jobs). The contact indicated the performance of local financial institutions has been excellent, and they are actively involved in the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. FNBB's quarterly average loan-to-deposit ratio for the period April 30, 1997 to December 31, 2001 was 62.12%. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions located within the AA range from 74.70% to 91.69%.

FNBB's loan-to-deposit ratio was the lowest of the similarly situated institutions in the AA with assets in the range of \$63-138 million and locations in both Adams County and Pike County, Illinois. FNBB's net loan-to-deposit ratio declined as a result of the purchase of \$20 million in deposits when they purchased a bank branch in Pittsfield in the first quarter of 2000.

Lending in Assessment Area

FNBB's record of lending within its AA is considered good. The majority of the bank's loans are made within its AA. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

Loans Originated in Assessment Area						
Loan Type	# in AA	\$ in AA (000)	Total #	Total \$ (000)	% # in AA	% \$ in AA
Agricultural	16	2,756	20	2,988	80	92
Commercial/Business	19	12,326	20	12,929	95	95
Residential Real Estate	17	645	20	767	85	84
Consumer	19	131	20	134	95	97

Source: A sample of 20 loans from each category (Loans originated in 1997, 1998, 1999, 2000, 2001, and year-to-date 2002 per bank records).

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

The overall rating for the bank's lending to borrowers of different incomes and to businesses of different sizes is reasonable. The bank's record of extending credit to individuals of different income levels reflects adequate lending to low- and moderate-income people within the AA. The bank's record of agricultural lending to farms with revenues less than one million dollars reflects an excellent level of lending to small farms. The bank's level of extending credit to businesses of different income levels reflects a reasonable level of lending to small businesses.

Agricultural loan products were given more consideration than loans to small businesses or mortgage lending products because agricultural loans represent a larger portion of FNBB's loan portfolio and is a strong focus of its business strategy.

Agricultural Loan Originations

The borrower distribution of the bank's agricultural loans is excellent. The percentage of agricultural loans made to farms with annual revenues of less than \$1 million (95.00%) is slightly below the percentage of farms with annual revenues of less than \$1 million (98.96%) within the AA. Of the 20 loans in our sample, 19 loans totaling \$2.9 million were made to farms with annual revenues of less than \$1 million.

Agricultural Loan Originations						
Revenue Ranges	Lending to Farms of Different Sizes				Farms within AA	
	#	%	\$ (000s)	%	#	%
\$1 Million or Less	19	95.00	2,913	96.37	474	98.96
Greater than \$1 Million	1	5.00	100	3.63	5	1.04

Source: Bank records for a sample of 20 commercial loans made within the bank's AA during 1999, 2000, 2001, and year-to-date 2002.

Commercial Loan Originations

The borrower distribution of commercial loans is reasonable. The percentage of loans made to businesses with annual revenues of less than \$1 million (80.00%) is below the percentage of businesses with annual revenues of less than \$1 million (90.06%) within the AA. Of the 20 loans in our sample, 16 loans totaling \$450 thousand were made to businesses with annual revenues of less than \$1 million.

Commercial Loan Originations						
Revenue Ranges	Lending to Businesses of Different Sizes				Businesses within AA	
	#	%	\$ (000s)	%	#	%
\$1 Million or Less	16	80.00	450	43.75	725	90.06
Greater than \$1 Million	4	20.00	578	56.24	49	6.09
Revenues Not Reported	0	00.00	0	00.00	31	3.85

Source: Bank records for a sample of 20 commercial loans made within the bank's AA during 1999, 2000, 2001, and year-to-date 2002.

Home Purchase and Refinance Loan Originations

The borrower distribution of home purchase and refinance loans is reasonable. There were no home purchase and refinance loans made to low-income borrowers in the AA. However, the percentage of home purchase and refinance loans made to moderate-income borrowers (40%) is excellent and exceeded the Percentage of moderate-income families (22.73%) within the AA.

Junior Lien Loan Originations

The borrower distribution of junior lien loan originations is excellent. The percentage of junior lien loan originations to low- income borrowers (20.00%) compares closely with the percentage of low-income families in the AA (22.68%). The percentage of junior lien loans made to moderate-income borrowers (30.00%) exceeded the percentage (22.73%) of moderate-income families in the AA.

Percentage of Loans							
Census Tract Income Level	Residential Real Estate		Real Estate Junior Liens		All Mortgage Loans		Percentage of Families in AA
	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	
Low	0.00	0.00	20.00	24.55	10.00%	7.69	22.68
Moderate	40.00	27.58	30.00	20.90	35.00	25.49	22.73
Middle	45.00	48.48	25.00	22.66	35.00	40.39	27.88
Upper	15.00	23.94	25.00	31.88	20.00	26.42	26.70

Source: A sample of 20 loans from each category (Loans originated in 1999, 2000, 2001, and year-to-date 2002 per bank records).

Geographic Distribution of Loans

The geographic distribution of the bank's agricultural loans, commercial loans, and residential real estate loans reflects a reasonable dispersion throughout the AA geographies.

Maps and reports detailing FNBB's lending activity over the evaluation period for agricultural loans, small loans to businesses, and home mortgage loans were reviewed to identify gaps in the geographic distribution of those loans. No unexplained gaps were identified.

Agricultural Loan Originations

The geographic distribution of agricultural loans within the AA is reasonable. The percentage of agricultural loans made in the moderate-income geography (15.00%) was less than the percentage of farms within this geography (22.76%). This performance is considered reasonable. The bank made three loans totaling \$95 thousand in the moderate-income geography.

Census Tract Income Level	Percentage of Agricultural Loans				Percentage of Farms in Tract Category
	#	%	\$ (000s)	%	
Moderate	3	15.00	95	2.97	22.76
Middle	17	85.00	3,099	97.02	77.24

Source: Bank Records of a sample of 20 agricultural loans made within the bank's AA during 1999, 2000, 2001, and year-to-date 2002.

Commercial Loan Originations

The geographic distribution of commercial loans is reasonable. The percentage of commercial loans made to businesses in the moderate-income geography (10.00%) compares closely with the percentage of commercial businesses in that geography (12.29%). This performance is

considered reasonable. The bank made two loans totaling \$47 thousand in the moderate-income geography.

Census Tract Income Level	Percentage of Commercial Loans				Percentage of Businesses in Tract Category
	#	%	\$ (000s)	%	
Moderate	2	10.00	47	4.53	12.29
Middle	18	90.00	982	95.47	87.70

Source: Bank Records of a sample of 20 commercial loans made within the bank's AA during 1999, 2000, 2001, and year-to-date 2002.

Home Purchase and Refinance Originations

The geographic distribution of home purchase loans is excellent. The percentage of home purchase and refinance loans made in the bank's moderate-income geography (35.00%) far exceeds the percentage of owner-occupied units in that geography (18.15%).

We selected a random sample of twenty loans to determine the dispersion of loans in the moderate-income geography. The bank made seven home purchase and refinance loans totaling \$256 thousand in the moderate-income geography.

Junior Lien Loan Originations

The geographic distribution of junior lien loans is reasonable. The percentage of junior lien loans made in the bank's moderate-income geography (5.00%) is less than the percentage of owner occupied units in that geography (18.15%). The bank made one junior lien loan totaling \$21 thousand in the moderate-income geography.

The total distribution for all residential loans in the moderate-income geography is 20.00%, which exceeds the percentage of owner occupied homes in the moderate-income geography, 18.15%.

The lending performance in the moderate-income geography is below the percentage of owner-occupied housing units in the geography. The bank does not have any branches in the moderate-income geography.

Percentage of Loans							
Census Tract Income Level	Residential Real Estate		Real Estate Junior Liens		All Mortgage Loans		Percentage of Owner-Occupied Units in AA
	# of loans	\$ of loans	# of loans	\$ of loans (000's)	# of loans	\$ of loans (000's)	
Moderate	35.00	34.03	5.00	21	20.00	17.14%	18.15
Middle	65.00	65.97	95.00	843	80.00	82.85	81.85

Source: A sample of 20 loans from each category (Loans originated in 1999, 2000, 2001, and year-to-date 2002 per bank records).

Responses to Complaints

FNBB 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

A comprehensive fair lending examination was conducted in February 2002. Alternative procedures were used, as there was an insufficient number of denials and approvals present to perform the benchmark or loan terms approach. There was an insufficient number of denials for any prohibited basis group within the same product. Loan quality and underwriting requirements did not reflect any prohibited factors. There were no violations of law, and the bank is in substantive compliance with Fair Lending laws.