



PUBLIC DISCLOSURE

March 12, 2018

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

211 Fulton Street
Suite 604
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, and should not 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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Overall CRA Rating: Satisfactory

The Lending Test is rated: Satisfactory

- The borrower distribution of loans reflects reasonable penetration.
- A substantial majority of loans originated or purchased by the bank are to customers within its assessment area (AA).
- The quarterly average loan-to-deposit (LTD) ratio is reasonable.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

The First National Bank of Barry (FNB or bank) is a \$105 million intrastate financial institution headquartered in Barry, Illinois, in West Central Illinois near Interstate 72.

The bank is a wholly owned by FNB Barry Bancorp, Inc., a \$105 one-bank holding company headquartered in Barry, Illinois. FNB Barry Bancorp, Inc., does not negatively impact the bank's ability to meet the credit needs of the community.

FNB maintains its strategy of offering traditional non-complex banking products and services to meet the agriculture, business, residential, and consumer lending needs of its customers.

The bank has three branch locations in its AA. Two branches are located in Pike County, Illinois, in the cities of Barry and Pittsfield. One branch is located in Adams County, Illinois, in the city of Liberty. The Pittsfield and Liberty, Illinois locations offer drive-thru and onsite cash dispensing Automated Teller Machine (ATM) access. The Barry, Illinois, location has a separate off-site drive-thru and cash dispensing ATM. FNB also maintains six cash dispensing ATMs in various businesses in Barry, Illinois, which are only available to the public when the businesses are open. Internet, mobile, and telephone banking are also available to the bank's customers. Refer to the bank's public file for a listing of services.

FNB sold the Virginia, Illinois, branch facility to a national bank in 2015. High levels of competition for deposits and loans in the small town, coupled with the distance from its main office, were factors in selling the branch. FNB accommodates customers in Virginia, Illinois, who choose to continue their lending relationships with the bank.

FNB held 73 percent of net loans and leases to total assets and a Tier One Leverage Capital ratio of 16 percent, at December 31, 2017.

Agriculture lending represented the largest loan portfolio at \$27 million, followed by commercial lending at \$24 million, residential lending at \$10 million, and consumer lending at \$4 million, at December 31, 2017.

The bank primarily serves rural areas in Pike and Adams County, Illinois, but the proximity to the larger markets of Quincy, Illinois, and Hannibal, Missouri, contribute to high levels of competition for loans. FNB competes with national banks, state banks, credit unions, and federal thrifts. FNB held a 16 percent deposit market share in Pike County, Illinois, ranking second of nine FDIC insured institutions competing for the areas' \$472 million in deposits. The top three financial institutions held a 61 percent deposit market share in Pike County, Illinois. In Adams County, Illinois, the bank held a less than one percent deposit market share, ranking 13 of 13 FDIC insured institutions competing for the areas \$1.7 billion in deposits. The top three financial institutions held a 65 deposit market share in Adams County, Illinois.

The previous CRA rating, which the OCC determined using the Small Bank criterion, was Satisfactory, as detailed in the amended PE dated September 3, 2013, which amended a PE dated January 29, 2013.

There are no legal or financial circumstances that impede the bank's ability to meet the credit needs of its AAs.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period covers the period between the date of the prior CRA PE of January 29, 2013, and March 12, 2018. We assessed the bank under the Small Bank criterion, which includes a Lending Test. The Lending Test assesses the lending performance of the primary product from January 1, 2016, through December 31, 2017. Performance conclusions for lending between January 1, 2017, and December 31, 2017, are based on 2015 American Community Survey data while lending between January 1, 2016, and December 31, 2016, are based on 2010 US Census data.

The primary loan product was determined to be agriculture loans. The primary product accounted for 56 percent of loans, by dollar, originated or purchased between January 1, 2016, and December 31, 2017.

Data Integrity

FNB is not required to maintain CRA data on agriculture lending outside of the individual credit files. Therefore, we utilized sampling to obtain data for agriculture loans. We obtained the gross revenues of borrowers, as well as geocoding data for each loan sampled.

Selection of Areas for Full-Scope Review

The bank's sole AA received a full-scope review. Refer to Appendix A for more information.

Ratings

The bank's overall rating is based primarily on the area that received a full-scope review. The performance in 2016 and 2017 were weighed equally.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to .28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

Lending Test

FNB meets the standard for Satisfactory performance.

Loan-to-Deposit Ratio

FNB’s average LTD ratio is reasonable given the size, financial condition, level of competition, and lending opportunities available in the AA. The LTD ratio is calculated on a bank-wide quarterly average since the prior CRA PE. The quarterly LTD ratio averaged 80 percent over 20 quarters from March 31, 2013, through December 31, 2017, with a low of 75 percent and a high of 90 percent. Similarly situated institutions had an overall average LTD ratio of 82 percent, with an average low of 55 percent and an average high of 111 percent. The similarly situated institutions, which range in asset size from \$37 million to \$435 million, are FDIC insured community financial institutions that compete with FNB for deposits.

Lending in Assessment Area

FNB originated or purchased a substantial majority of loans to customers inside its AA during the evaluation period, by number. The proportion of lending inside versus outside the AA is calculated on a bank-wide basis.

Table 1 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
					(000s)		(000s)		(000s)	
Agriculture	27	90	3	10	30	3,527	84	654	16	4,181

Source: Random In/Out sample of agriculture loans originated or purchased between January 1, 2016, and December 31, 2017.

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

The borrower distribution reflects reasonable penetration in the AA, given the performance context. Performance was excellent in 2017 and reasonable in 2016, given the performance context.

Table 2a - Borrower Distribution of Loans to Farms in the Assessment Area (2017)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	99%	1%	0%	100%
% of Bank Loans in AA by #	90%	5%	5%	100%
% of Bank Loans in AA by \$	76%	19%	5%	100%

Source: Sample of agriculture loans originated or purchased from January 1, 2017, through December 31, 2017; Dun and Bradstreet data, as of June 30, 2017.

Table 2b - Borrower Distribution of Loans to Farms in the Assessment Area (2016)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	99%	1%	0%	100%
% of Bank Loans in AA by #	85%	0%	15%	100%
% of Bank Loans in AA by \$	97%	0%	3%	100%

Source: Sample of agriculture loans originated or purchased from January 1, 2016, through December 31, 2016; Dun and Bradstreet data, as of June 30, 2016.

Geographic Distribution of Loans

We did not perform a geographic analysis of the distribution of loans at this evaluation. An analysis is not meaningful as there are no low- or moderate-income CTs in the AA.

Responses to Complaints

FNB has not received any complaints about its performance in helping to meet the credit needs of its AA during the evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: (January 1, 2016 to December 31, 2017)	
Financial Institution	Products Reviewed	
The First National Bank of Barry Barry, Illinois	Agriculture Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
NA	NA	NA
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
State of Illinois (Non-Metropolitan Area)	Full Scope	Pike County (#149) – CTs: 9524, 9525, 952,9527, 9428 Adams County (#1) – CTs: 103

Appendix B: Community Profiles for Full-Scope Areas

Demographic Information for Full-Scope Area (2017)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	6	0.00	0.00	100.00	0.00	0.00
Population by Geography	22,227	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	7,015	0.00	0.00	100.00	0.00	0.00
Businesses by Geography	1,048	0.00	0.00	100.00	0.00	0.00
Farms by Geography	277	0.00	0.00	100.00	0.00	0.00
Family Distribution by Income Level	6,063	19.02	23.01	23.06	34.92	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,548	0.00	0.00	100.00	0.00	0.00
Median Family Income: FFIEC Adjusted Median Family Income for 2017: Families Below the Poverty Level:	= \$59,121 = \$60,400 = 12%	Median Housing Value Unemployment Rate (Pike County, December 31, 2017)			= \$79,962 = 4.3%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2015 ACS U.S. Census, and 2017 FFIEC updated MFI. Unemployment data from U.S. Bureau of Labor Statistics.

Demographic Information for Full-Scope Area (2016)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	6	0.00	0.00	100.00	0.00	0.00
Population by Geography	22,320	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	7,106	0.00	0.00	100.00	0.00	0.00
Businesses by Geography	1,071	0.00	0.00	100.00	0.00	0.00
Farms by Geography	294	0.00	0.00	100.00	0.00	0.00
Family Distribution by Income Level	6,227	19.69	19.34	21.71	39.26	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,430	0.00	0.00	100.00	0.00	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below the Poverty Level	= \$54,499 = \$58,000 = 12%	Median Housing Value Unemployment Rate (Pike County, December 31, 2016)			= \$79,343 = 5.5%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 U.S. Census, and 2016 FFIEC updated MFI. Unemployment data from U.S. Bureau of Labor Statistics.

The AA includes all CTs in Pike County, Illinois, and one CT in the southeast corner of Adams County, Illinois, which are in a non-metropolitan area.

Major employment sectors in the AA include Agriculture and the local school systems. The Quincy, Illinois, and Hannibal, Missouri, areas are the major centers of employment for individuals in the community.

The unemployment rates have improved since the prior CRA PE for both Pike and Adams counties. Unemployment rates were 4.3 percent and 3.7 percent in Pike and Adams counties, respectively, and compare favorably to the State of Illinois unemployment rate of 4.7 percent, at December 31, 2017. Improvement in unemployment rates may improve the lending opportunities in the area.

Families and households living below poverty were 8 and 12 percent, respectively, in the AA. The high level of poverty may limit lending opportunities in the area.

Changes in commodity prices have a significant impact for individuals who farm or provide services to farmers. Commodity price declines in corn and soybeans in recent years have reduced revenues and tightened cash flows. A decline in commodity prices of corn and soybeans may limit the lending opportunities in the area.

We contacted a local government official in Barry, Illinois. The contact noted that the community's economy is focused in farming. The contact noted there are few small farm operations or new farm operations outside of family inheritances. The cost of farm equipment and price of farm land are barriers to entry. The contact commented on the deteriorating building quality of the downtown store buildings and housing stock in the community, which adds difficulty in attracting businesses and families to the community. The contact had no negative perceptions of the bank.