

PUBLIC DISCLOSURE

August 31, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of Yates City
Certificate Number: 11715**

**107 East Main Street
Yates City, Illinois 61572**

**Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office
300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606**

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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INSTITUTION RATING

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

The institution's lending performance is adequate and exhibits reasonable responsiveness to the credit needs of the assessment area. The following summarizes this performance.

- The average loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the institution's assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution criterion was not considered in determining the overall rating because the assessment area does not include any low- or moderate-income tracts.
- The bank has not received any CRA-related complaints since the prior evaluation; therefore, this factor was not considered in the overall rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated December 15, 2009, to the current evaluation dated August 31, 2015. Small bank evaluation procedures were used. Bank of Yates City's (BYC) primary lending focus remains home mortgage, small farm, and small business lending.

Loan Products Reviewed

As of June 30, 2015, home mortgage loans represented 34 percent and small farm and small business loans each represented 20 percent of the loan portfolio. While consumer loans comprised 24 percent of the portfolio, these loan types will not be included in this evaluation as they are not the primary lending focus of the bank. The upswing in consumer lending was due to BYC embarking on a direct auto financing campaign with local dealerships upon opening their Farmington branch in 2012 to obtain new customer relationships. However, the bank's lending focus has since changed with less emphasis placed on consumer loans.

A sample of home mortgage, small farm and small business loans extended from January 1, 2014 through December 31, 2014 were reviewed and included in this evaluation. Small farm loans are defined as those whose original amounts are \$500,000 or less and were reported in the Call Report as "Loans Secured by Farmland" or "Loans to Finance Agricultural Production and Other Loans to Farmers." Small business loans are defined as those whose original amounts are \$1 million or less and were reported in the Call Report as either "Loans secured by nonfarm nonresidential properties" or "Commercial and industrial loans." Sampling procedures utilized provide for at least a 90 percent confidence interval with a 15 percent level of precision.

The loans included in this evaluation are considered representative of the bank's lending performance since the last public evaluation. For small bank evaluation procedures, examiners reviewed the number and dollar volume of home mortgage, small farm and small business loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals served. Refer to Table 1 for further sampling details.

Table 1 – Universe and Sample Sizes of Loans				
	Universe of Loans		Loans included in Evaluation	
	#	\$(000s)	#	\$(000s)
Home Mortgage	58	4,279	25	2,031
Small Farm	54	2,287	25	824
Small Business	60	2,144	25	1,166
Total	172	8,710	75	4,021
<i>Source: Bank Records</i>				

To assist the FDIC examiner in conducting the CRA evaluation, a community contact interview was conducted with a representative in and adjacent to the assessment area. Information obtained from this interview revealed that banks in the assessment area are adequately meeting the credit needs of the community.

DESCRIPTION OF INSTITUTION

Background

BYC is headquartered in Yates City, Illinois. BYC is a wholly-owned subsidiary of First Bancorp, Inc., a one-bank holding company. A "Satisfactory" rating was assigned at the previous Community Reinvestment Act Performance Evaluation, dated December 15, 2009.

Operations

BYC has its main office in Yates City (population 693) which is located in Knox County. In 2012, a branch was opened in Farmington (population 2,448) which is located in Fulton County. BYC offers loan products including commercial, agricultural, home mortgage, and consumer loans, primarily focusing on home mortgage lending. The institution provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include internet banking and one bank-owned automated teller machine (ATM) in Maquon, IL. BYC is not required to report residential real estate loans for Home Mortgage Disclosure Act (HMDA) purposes. The bank did not close any branches, and no merger or acquisition activities occurred since the previous evaluation.

Ability and Capacity

There are no legal or financial impediments that would hinder the bank's ability to meet the credit needs of its assessment area. According to the June 30, 2015 Consolidated Report of Condition, BYC had \$62,083,000 in total assets, \$54,189,000 in total deposits, and \$43,774,000 in total loans. As of June 30, 2015, home mortgage loans represent the largest percentage of the loan portfolio at 34 percent with the whole portfolio distribution shown in Table 2 on the following page.

Table 2 - Loan Portfolio Distribution as of 6/30/2015		
Loan Category	\$(000s)	%
Construction and Land Development	485	1.1
Secured by Farmland	3,834	8.8
1-4 Family Residential	14,602	33.4
Multi-family (5 or more) Residential	281	0.6
Commercial Real Estate	3,764	8.6
Total Real Estate Loans	22,966	52.5
Commercial and Industrial	4,991	11.4
Agricultural	4,953	11.3
Consumer	10,639	24.3
Other	225	0.5
Total Loans	43,774	100.0%
<i>Source: Reports of Income and Condition</i>		

DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act (CRA) requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The assessment area consists only of whole geographies, includes tracts where the institution's main office is located, does not reflect illegal discrimination, and does not arbitrarily exclude any low- or moderate-income areas. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

BYC's main office in Yates City is located in census tract 16 which is designated as middle-income. BYC operates one full-service branch in census tract 9528 in its assessment area in the northwestern part of Fulton County in Farmington. BYC has designed an assessment area of five contiguous census tracts in three counties. Specifically, one tract (16) in southeastern Knox County, two tracts (39 and 40) in western Peoria County, and two tracts (9528 and 9529) in northeastern Fulton County. Census tract 39 in Peoria County is designated as upper-income. All other census tracts are considered middle-income. Both Knox and Fulton Counties are considered part of the non-metropolitan statistical area (non-MSA). Peoria County is part of the Peoria, IL metropolitan statistical area (MSA) 37900.

The largest employers in Fulton and Knox Counties are the local hospitals, Spoon River and Carl Sandburg Community Colleges, local school districts, HyVee and Walmart. For Peoria County, the largest employers are the local hospitals, Bradley University, Illinois Community College and Caterpillar. None of these employers are located within the bank's assessment area. Table 3 on the following page, illustrates select demographic characteristics of the assessment area.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	0.0	80.0	20.0	0.0
Population by Geography	20,355	0.0	0.0	67.9	32.1	0.0
Housing Units by Geography	8,235	0.0	0.0	71.4	28.6	0.0
Owner-Occupied Units by Geography	6,567	0.0	0.0	70.4	29.6	0.0
Occupied Rental Units by Geography	866	0.0	0.0	75.2	24.8	0.0
Vacant Units by Geography	802	0.0	0.0	75.7	24.3	0.0
Businesses by Geography	1,056	0.0	0.0	66.3	33.7	0.0
Farms by Geography	309	0.0	0.0	69.6	30.4	0.0
Family Distribution by Income Level	5,722	15.0	15.7	23.5	45.8	0.0
Household Distribution by Income Level	7,433	16.8	14.5	18.3	50.4	0.0
Median Family Income		\$54,600	Median Housing Value			\$126,531
FFIEC-Estimated Median Family Income for 2014		\$58,600	Median Gross Rent			\$579
			Families Below Poverty Level			4.7%

Source: 2010 U.S. Census, 2014 D&B Data, and FFIEC Estimated Median Family Income; () The NA category consists of geographies that have not been assigned an income classification.*

The 2014 Federal Financial Institutions Examination Council (FFIEC)-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in Table 4 below. These categories are based on the 2014 FFIEC-updated median family income of \$58,600 for Illinois non-MSA areas.

Median Family Income	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥\$120%
\$58,600	<\$29,300	\$29,300 to <\$46,880	\$46,880 to <\$70,320	≥\$70,320

Source: 2014 FFIEC-updated MFI data

As of July 2015, the Illinois Department of Employment Security reports the unemployment rates for Fulton County at 7.6 percent, Knox County at 5.5 percent, Peoria County at 6.6 percent and the State of Illinois at 5.9 percent. While these rates represent a decrease from the July 2014 unemployment rates, all counties did see a slight increase from the previous month June 2015. The assessment area's unemployment rates are higher than the State of Illinois.

Community Contact

Examiners contacted a representative of an economic development organization in the assessment area. The contact noted that the Fulton County area is poverty stricken. Contact stated there was a particular need for a four lane highway for quick access for economic growth in Canton. Also, a recent housing survey conducted in May of 2015 by The Residential Housing Committee of the Spoon River Partnership for Economic Development revealed the greatest needs were for affordable housing and rehabilitation of homes. In the assessment area, the organization already has an affordable housing facility and has therefore focused on

rehabilitation of homes. The contact also noted the need for an educational component for financial literacy. There is a community action group currently working toward putting a program together involving local banks. Overall, the contact indicated that financial institutions have been very responsive to the credit needs of the community.

CONCLUSIONS ON PERFORMANCE CRITERIA

Small bank evaluation procedures were used (which are based on asset size of the institution) and consist of the following lending criteria:

- Loan-to-deposit ratio
- Assessment area concentration
- Borrower profile
- Geographic distribution
- Response to CRA-related complaints

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. BYC’s average loan-to-deposit ratio is 62 percent, based on the 23 calendar quarters since the prior evaluation. The net loan-to-deposit ratio has fluctuated from a high of 80 percent on June 30, 2015, to a low of 50 percent on March 31, 2012. BYC maintained a ratio similar to those of comparable institutions, as shown in Table 5. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Table 5 - Loan-to-Deposit Ratio Comparison		
Institution	Total Assets as of 6/30/2015 \$(000s)	Average Net LTD Ratio (%)
Bank of Yates City	62,083	61.8
Institution #1	34,898	51.1
Institution #2	46,461	74.7
Institution #3	23,739	43.5
Institution #4	51,811	60.3
Institution #5	23,960	80.3
<i>Source: Reports of Income and Condition 12/31/09 through 6/30/15</i>		

Assessment Area Concentration

BYC has a reasonable record of concentrating its overall lending within the assessment area. A sample of home mortgage, small farm, and small business loans originated during the review period was analyzed to determine the portion of loans extended inside and outside the assessment area. As shown in Table 6 on the following page, a majority of home mortgage loans (76.0 percent), small business loans (72.0 percent), and small farm loans (76.0 percent) by number were extended within the assessment area. Further, the results indicate a majority of home

mortgage loans (52.3 percent), small business loans (81.9 percent), and small farm loans (81.4 percent) by dollar amount were extended within the assessment area. BYC offers loan products that benefit the assessment area population.

Table 6 - Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	19	76.0	6	24.0	25	1,063	52.3	968	47.6	2,031
Small Business	18	72.0	7	28.0	25	955	81.9	211	18.1	1,166
Small Farm	19	76.0	6	24.0	25	671	81.4	153	18.6	824
Total	56	74.7	19	25.3	75	2,689	66.9	1,332	33.1	4,021

Source: Bank Records

Borrower Profile

The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes in the assessment area. Examiners focused on the percentage by number of loans to farms and businesses with gross annual revenues of \$1 million or less. They also focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. As shown in Table 7 on the following page, BYC is extending home mortgage loans at a higher level than the demographics of the low- and moderate-income family populations in the assessment area. According to the 2010 census, families living below the poverty level are often unable to qualify for home mortgage credit and this portion of the population is removed from the assessment area's low-income family population (effectively reducing this population to 10.3 percent) for this analysis.

The bank extended, by number of loans, 26.3 percent of its home mortgage loans to low-income families that comprise approximately 10.3 percent of the population (after poverty borrowers are accounted for) and 26.3 to moderate-income families compared to 15.7 percent of families. By dollar amount, the bank also exceeded the percent of low- and moderate-income families in the assessment area at 16.7 and 31.6 percent respectively.

Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	15.0*	5	26.3	178	16.8
Moderate	15.7	5	26.3	336	31.6
Middle	23.5	4	21.1	214	20.1
Upper	45.8	5	26.3	335	31.5
Total	100.0	19	100.0	1,063	100.0

*Source: 2010 U.S. Census, Bank Records; *Includes families living below poverty level of 4.7%*

Small Business Loans

The distribution of lending to businesses of different sizes reflects a reasonable penetration of loans to businesses with gross annual revenues of \$1 million or less. The following table shows that 100.0 percent of the loans were originated to businesses with gross annual revenues of \$1 million or less. This number compares reasonably to the percent of businesses in this revenue category. This lending performance is indicative of the bank offering loan products that benefit small businesses in the assessment area.

Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	72.3	18	100.0	955	100.0
> \$1,000,000	4.3	0	0.0	0	0.0
Revenue Not Available	23.4	0	0.0	0	0.0
Total	100.0	18	100.0	955	100.0

Source: 2014 D&B Data, Bank Records

Small Farm Loans

BYC's performance in lending to farms of different sizes is reasonable. The lending performance was analyzed using the farming operations' gross annual revenues. As shown in Table 9 below, the bank is reasonably serving the assessment area by extending agricultural-related loans to smaller farms. A majority of agricultural-related loans by number, 94.7 percent for 2014, were made to small farms within the assessment area which comprise 98.3 percent of total farms. BYC also extended a majority of loans by dollar amount, 85.1 percent for 2014, to small farms in the assessment area. This lending performance is indicative of the bank offering loan products that benefit small farms in the assessment area.

Gross Revenue Level	% of Farms	#	%	\$(000s)	%
≤ \$1,000,000	98.4	18	94.7	571	85.1
> \$1,000,000	0.6	1	5.3	100	14.9
Revenue Not Available	1.0	0	0.0	0	0.0
Total	100.0	19	100.0	671	100.0

Source: 2014 D&B Data, Bank Records