

PUBLIC DISCLOSURE

October 24, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Port Byron State Bank
RSSD# 747846

124 N. Main St.
Port Byron, IL 61275

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, IL 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S COMMUNITY REINVESTMENT ACT (CRA) RATING: Satisfactory.

Port Byron State Bank provides credit consistent with its asset size, location, and local economic conditions within its assessment area. The loan-to deposit ratio is reasonable considering the characteristics of the bank, its local competitors, and the credit needs within the assessment area. A majority of the bank's loans are originated inside the assessment area. The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses and farms of different sizes. The geographic distribution of loans also reflects a reasonable dispersion throughout the assessment area. There were no CRA-related complaints received by the bank or this Reserve Bank since the previous evaluation.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated in the context of information about the institution and its assessment area, such as asset size, financial condition, competition, and economic and demographic characteristics. Performance within the designated assessment area was evaluated using small bank, full-scope examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – An 18 quarter average loan-to-deposit ratio was calculated from March 31, 2007 through June 30, 2011 for the bank and compared to its national peer group and a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's HMDA-reportable (home mortgage) originations in 2010 and commercial and agricultural loans originated from July 1, 2010 through June 30, 2011 were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank's HMDA-reportable originations in 2010 and commercial and agricultural loans originated from July 1, 2010 through June 30, 2011, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels.
- ***Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes*** – The bank's HMDA-reportable originations in 2010 and commercial and agricultural loans originated from July 1, 2010 through June 30, 2011, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Neither Port Byron State Bank nor this Reserve Bank received any CRA-related complaints since the prior evaluation.

In addition to the preceding criteria, information obtained through discussion with two community representatives to increase understanding of credit needs and market conditions within the assessment area.

DESCRIPTION OF BANK

Port Byron State Bank, with total assets of \$93.4 million as of June 30, 2011, is a wholly-owned subsidiary of First Byron Bancorp, a one-bank holding company located in Port Byron, Illinois. The bank operates a main office and two full-service branches, all with automated teller machines (ATMs), in addition to a standalone ATM. All banking offices are located on the Illinois side of the Davenport-Moline-Rock Island Metropolitan Statistical Area (MSA) in middle-income census tracts and the cash-only ATM is located in Geneseo, Illinois in an upper-income census tract. The bank has not opened or closed any branch offices since the previous evaluation dated August 20, 2007.

The bank offers a variety of deposit and credit products to meet the banking needs of consumers, businesses, and farms operating in its assessment area. Deposit products include checking, savings, negotiable order of withdrawal (NOW), and money market deposit accounts, individual retirement accounts (IRA's) as well as certificates of deposit (CDs). Credit products include secured and unsecured consumer loans and lines of credit, first mortgage home purchase and refinance loans, home equity loans and lines of credit, multifamily housing loans, construction loans, commercial loans, loans secured by commercial real estate, and agricultural loans. In addition to providing customers access to its banking services through its branch and ATM network, the bank offers a transactional website (www.PBSB1863.com), which provides access to online banking, funds transfer, and bill payment. Port Byron State Bank also offers a 24-hour automated telephone banking service that allows customers access to account balance information and funds transfer.

Composition of Loan Portfolio as of June 30, 2011 (000's)			
Category	Type	\$	%
Real Estate Secured	1-4 Family and Multi-Family Residential	20,982	33.8
	Farmland	8,677	13.9
	Non-farm, Non-residential	14,828	23.9
	Total Real Estate Secured	44,487	71.6
Agricultural	Agricultural	4,772	7.7
Commercial	Commercial and Industrial	10,050	16.2
Consumer	Loans to Individuals	1,802	2.9
Other		1,008	1.6
	Total	62,119	100.0

The bank is primarily focused on commercial lending. As the data in the preceding table indicates, commercial lending comprises the majority (40.1 percent) of the bank's outstanding loans. The commercial lending numbers include both commercial and industrial and non-farm, non-

residential purpose loans. The bank's 1-4 family and multi-family and agricultural loans also account for a significant proportion of the loan portfolio with 33.8 and 21.6 percent, respectively.

Based on the FDIC's Deposit Market Share Report as of June 30, 2011, Port Byron State Bank ranked 21st of 41 institutions in the Davenport-Moline-Rock Island MSA with a 1.13 percent market share.

There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on August 20, 2007.

DESCRIPTION OF ASSESSMENT AREA

Port Byron State Bank's assessment area consists of Rock Island County in Illinois and Scott County in Iowa in their entirety and northwest portions of Henry County, Illinois (census tracts 0301.00, 0302.01, 0302.02, 0302.03, and 0303.00). The assessment area is part of the Davenport-Moline-Rock Island, IA-IL #19340 MSA. Since the previous evaluation the bank's board of directors expanded the assessment area to include all of Rock Island County and Scott County and also increased the portion of Henry County. Therefore, the new assessment area delineates 91 census tracts; which consists of 4 low-, 24 moderate-, 44 middle- and 19 upper-income census tracts. Selected demographic information regarding the bank's assessment area is provided in the table below:

Assessment Area Demographics ⁽¹⁾								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	4	4.4	2,109	2.4	770	36.5	16,665	18.7
Moderate-income	24	26.4	13,698	15.4	2,153	15.7	16,067	18.1
Middle-income	44	48.3	50,590	56.8	3,122	6.2	21,131	23.7
Upper-income	19	20.9	22,578	25.4	658	2.9	35,112	39.5
Total Assessment Area	91	100.0	88,975	100.0	6,703	7.5	88,975	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	% ⁽²⁾	%	#	%	#	%
Low-income	4,075	1,291	1.4	31.7	2,340	57.4	444	10.9
Moderate-income	25,313	13,017	13.8	51.4	9,978	39.4	2,318	9.2
Middle-income	78,298	55,275	58.6	70.6	19,547	25.0	3,476	4.4
Upper-income	32,655	24,772	26.2	75.9	6,633	20.3	1,250	3.8
Total Assessment Area	140,341	94,355	100.0	67.2	38,498	27.4	7,488	5.4
	Total Businesses By Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	821	5.8	653	5.3	96	10.3	72	8.8
Moderate-income	2,551	18.0	2,158	17.4	230	24.6	163	20.0
Middle-income	6,929	48.9	6,124	49.3	420	45.0	385	47.3
Upper-income	3,870	27.3	3,487	28.0	188	20.1	195	23.9
Total Assessment Area	14,171	100.0	12,422	100.0	934	100.0	815	100.0
Percentage of Total Businesses:				87.7			6.6	5.7
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	1	0.1	1	0.1	0	0.0	0	0.0
Moderate-income	18	2.3	18	2.3	0	0.0	0	0.0
Middle-income	528	65.9	525	65.9	2	66.7	1	50.0
Upper-income	254	31.7	252	31.7	1	33.3	1	50.0
Total Assessment Area	801	100.0	796	100.0	3	100.0	2	100.0
Percentage of Total Farms:				99.4			0.4	0.2

⁽¹⁾ Information regarding businesses by tract and revenue size is based on 2010 data. All other information is based on 2000 census data.

⁽²⁾ Percentage of total owner-occupied housing, by census tract income, in the assessment area.

Population Characteristics

United States Census data from 2000 indicates that the population of the assessment area was 333,643. Population growth estimates are available for the period since the 2000 Census through July 1, 2010 for the three counties comprising the assessment area, as well as for the states of Illinois and Iowa. As the following table indicates, the populations in Henry County and Rock Island County experienced a decrease of approximately one percent since 2000. However, Scott County experienced a steady population growth over the same time period. The town of Bettendorf is part of Scott County and this city has seen consistent growth due to new developments and franchise businesses opening in the area along with the ALCO steel company increasing its local hiring.

Population Changes 2000 Census vs. July 1, 2010			
Area	2000 Census	July 1, 2010 Estimates	Percentage Change
Assessment Area	333,643	N/A	N/A
Henry County	51,020	50,486	-1.0
Rock Island County	149,374	147,546	-1.2
Scott County	158,668	165,224	4.1
State of Illinois	12,419,293	12,830,632	3.3
State of Iowa	2,926,324	3,046,355	4.1
Davenport MSA #19340	376,019	379,690	1.0

Source: U.S. Census Bureau

Income Characteristics

Based on 2000 figures, the median family income (“MFI”) in the bank’s assessment area was \$50,662. The U.S. Department of Housing and Urban Development (HUD) estimates show that the MFI for the MSA increased notably since 2000. This increase is also generally comparable to increases experienced by the states of Illinois and Iowa. Although the 2010 median family income estimate was not available for the assessment area, increases within all of these areas suggest that the assessment area would have also increased proportionately. The data in the following table is a comparison of median family incomes for the assessment area, state of Illinois, state of Iowa and Davenport MSA #19340.

Median Family Income Changes HUD 2000 vs. Year 2010			
Area	2000 (\$)	2010 Estimates (\$)	Percentage Change
Assessment Area	50,662	N/A	N/A
State of Illinois	55,545	69,600	25.3
State of Iowa	48,005	61,400	27.9
Davenport MSA #19340	49,922	62,700	25.6

Source: U.S. Department of Housing and Urban Development

Bankruptcy Characteristics

The recent economic recession contributed to an increase in bankruptcy filings, as filing rates for Rock Island County and Scott County increased each year since 2007. Henry County also experienced increases each year, with the exception of 2009 to 2010 when bankruptcy filings decreased by 0.23 percent year over year. Of the three counties, Rock Island County had the highest annual bankruptcy filing rate during the evaluation period, while Henry County had the lowest. The 2010 bankruptcy filing rates per thousand people for the three counties are as follow: Henry County – 4.03 percent, Rock Island County – 4.34 percent, and Scott County – 5.39 percent. For comparison, the 2010 bankruptcy filing rates for the state of Illinois, Iowa, and the United States are 6.24 percent, 3.09 percent, and 4.92 percent, respectively.

Housing Characteristics

Overall, 67.2 percent of the housing units in the assessment area are owner-occupied. This percentage is consistent with the owner-occupancy rates in Rock Island County and Scott County and below the owner-occupancy rate for Henry County, at 74.2 percent. A substantial majority of the assessment area’s 94,355 owner-occupied housing units are located in middle- and upper-income census tracts. Though low- and moderate-income census tracts account for 30.8 percent of the assessment area tracts, they contain only 15.2 percent of owner-occupied housing. Additionally, the fact that only 17.8 percent of families live in low- and moderate-income census tracts reduces the opportunity for one-to-four family owner-occupied residential lending in these geographies.

A common method to measure housing affordability is to use the affordability ratio, which is defined in the CRA Appendix. A higher ratio indicates more affordable housing. As the table below illustrates, housing in the State of Illinois is generally less affordable when compared with the assessment area, MSA, three counties, and the State of Iowa. The U.S. Department of Housing and Urban Development calculates fair market rents (FMR’s) for communities across the country in an effort to promote inclusive housing options in its subsidized housing program. The FMR’s in the following table reflect affordable rent for a two-bedroom apartment.

Housing Costs				
Location	Median Housing Value	Median Gross Rent	Fair Market Rent *	Affordability Ratio
Assessment Area	85,102	473	N/A	.48
Henry County	78,600	419	N/A	.51
Rock Island County	77,800	450	N/A	.50
Scott County	90,400	496	N/A	.47
State of Illinois	127,800	605	N/A	.37
State of Iowa	82,100	470	N/A	.48
Davenport MSA #19340	82,798	465	483	.49

2000 United States Census Data;
*Department of Housing and Urban Development for year 2010

Foreclosure Characteristics

The foreclosure inventory rate is the number of loans in foreclosure divided by the total number of active loans. Active loans include current loans, delinquent loans, and loans in foreclosure; loans with a status of real estate owned (REO) are omitted from the calculation. The foreclosure inventory rate in the three counties comprising the assessment area increased in each year of the evaluation period. The December 2010 foreclosure inventory rate in the states of Illinois and Iowa were 2.68 percent and 5.37 percent, respectively. The December 2010 foreclosure inventory rates in Henry, Rock Island, and Scott Counties were 3.82 percent, 3.04 percent, and 2.25 percent, respectively.

Employment Conditions

The bank's assessment area is characterized by a diverse economy and the following table provides a list of the largest industries in the Davenport–Moline–Rock Island MSA.

Largest Employment by Industry	
Industry	# Employed
Manufacturing	39,502
Wholesale and Retail Trade	34,722
Health Care and Social Services	34,722
Education	31,702
Professional Services	22,392
Finance, Insurance, & Real Estate	17,109
Public Administration & Government	16,606
Construction	14,342

Source: 2008-2009 Quad City Region Fact Sheet

Unemployment statistics, as presented in the table below, for the counties comprising the bank's assessment area, states of Illinois and Iowa, and nation indicate a weak job market. Annual unemployment rates have increased each year since 2007, with the highest job losses occurring in each region between 2008 and 2009. Of the counties comprising the bank's assessment area, Scott County has had the lowest annual unemployment rate during the evaluation period, yet it remains significantly higher than historical levels.

Unemployment Statistics				
Region	2010	2009	2008	2007
United States	9.6%	9.3%	5.8%	4.6%
State of Illinois	10.3%	10.0%	6.4%	5.1%
State of Iowa	6.1%	5.6%	4.3%	3.8%
Henry County	9.2%	9.0%	6.2%	5.1%
Rock Island County	9.5%	9.1%	5.6%	4.8%
Scott County	6.9%	6.2%	4.4%	3.8%

Source: United States Department of Labor – Bureau of Labor Statistics

Two community representatives contacted during the examination to determine the credit needs of the assessment area indicated that local financial institutions are involved in the community and are assisting in meeting the needs of the area; however, there is a need for small business lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average loan-to-deposit (LTD) ratio was evaluated relative to the bank's capacity to lend, its competitors and its peer LTD ratios. Also considered were demographic factors, economic conditions, and lending opportunities present in the assessment area.

The following table summarizes the bank's loan-to-deposit ratio for the 18 quarters since the previous evaluation dated August 20, 2007. The bank's most recent LTD was 74.1 percent with an 18-quarter average of 81.1 percent ending June 30, 2011. The table also compares this data with similar data for other competitors in the assessment area and the national peer group (Uniform Bank Performance Report). The bank's LTD ratio is higher than its national peer group and a majority of competitors, indicating the LTD is reasonable given the bank's size, financial condition, and assessment area credit needs.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%) 18 - Quarter Average
Port Byron State Bank	81.1
National Peer #8	75.2
Competitors	
Bank Orion	69.5
Blackhawk B&T	57.4
First T&SB Albany	76.4

Assessment Area Concentration

The following table summarizes the bank's lending inside and outside its assessment area by product. A majority of HMDA-reportable, commercial, and agricultural loans are originated in the assessment area. Of the 223 loans originated during the evaluation period, 85.2 percent of loans by number and 92.2 percent by dollar occurred in the assessment area, indicating that the bank is actively serving surrounding communities.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase Loans	19	82.6	2,107	87.5	4	17.4	302	12.5
Home Improvement Loans	13	100.0	1,265	100.0	0	0.0	0	0.0
Multi-Family Loans	3	100.0	1,864	100.0	0	0.0	0	0.0
Refinance Loans	113	91.9	16,409	94.7	10	8.1	918	5.3
Total HMDA-Reportable Loans	148	91.4	21,645	94.7	14	8.6	1,220	5.3
Total Commercial Loans	28	90.3	4,071	79.6	3	9.7	1,043	20.4
Total Agricultural Loans	14	70.0	464	76.4	6	30.0	143	23.6
Total Loans	190	85.2	41,661	92.2	33	14.8	3,523	7.8

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Home Mortgage Lending

The bank's home mortgage lending activity demonstrates reasonable geographic distribution in its assessment area. No unexplained or conspicuous gaps in lending activity were identified. The table below displays the bank's 2010 home mortgage lending among geographies of different income designations.

Of the bank's 2010 home mortgage loans, 6.1 percent by number and 12.0 percent by dollar volume were originated in low- or moderate-income (LMI) geographies. The bank's lending performance for number of loans originated is below that of the aggregate lenders, which was 10.1 percent, but is above aggregate lenders percentage by dollar volume, which was 6.6 percent. When comparing performance in just low-income census tracts, the bank's home mortgage lending activity is higher than that of the aggregate lenders.

Home Mortgage Lending, 2010 Geographic Distribution (000's)							
Census Tract Income Level	Bank Loans				Aggregate of All Lenders		Owner Occupied Housing
	#	%	\$	%	# %	\$ %	%
Home Purchase Loans							
Low	0	0.0	0	0.0	0.6	0.3	1.4
Moderate	2	10.5	164	7.8	11.4	8.0	13.8
Middle	9	47.4	1,000	47.5	54.3	47.0	58.6
Upper	8	42.1	943	44.7	33.7	44.7	26.2
Total	19	100.0	2,107	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	1	0.9	297	1.8	0.4	0.2	1.4
Moderate	2	1.8	226	1.4	7.8	5.3	13.8
Middle	93	82.3	13,184	80.3	51.5	44.3	58.6
Upper	17	15.0	2,702	16.5	40.3	50.2	26.2
Total	113	100.0	16,409	100.0	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	0	0.0	1.6	0.6	1.4
Moderate	1	7.7	42	3.3	15.1	9.8	13.8
Middle	11	84.6	1,003	79.3	56.6	48.2	58.6
Upper	1	7.7	220	17.4	26.7	41.4	26.2
Total	13	100.0	1,265	100.0	100.0	100.0	100.0
Multifamily Loans							
Low	1	33.3	734	39.4	5.7	2.5	1.4
Moderate	2	66.7	1,130	60.6	32.1	10.5	13.8
Middle	0	0.0	0	0.0	49.1	24.2	58.6
Upper	0	0.0	0	0.0	13.2	62.7	26.2
Total	3	100.0	1,864	100.0	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	2	1.4	1,031	4.8	0.6	0.3	1.4
Moderate	7	4.7	1,562	7.2	9.5	6.3	13.8
Middle	113	76.4	15,187	70.2	52.7	44.9	58.6
Upper	26	17.5	3,865	17.8	37.2	48.5	26.2
Total	148	100.0	21,645	100.0	100.0	100.0	100.0

Commercial Lending

The following table summarizes the bank's commercial lending by income level designation of the geography. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. No unexplained or conspicuous gaps in lending were identified.

The bank originated 10.7 percent of its loans and 2.6 percent by dollar volume to businesses located in LMI census tracts. The LMI census tracts comprise 30.8 percent of all census tracts in the assessment area; however, only 23.8 percent of assessment area businesses are located in LMI

geographies. The largest concentration of the businesses are located in middle-income census tracts (48.9 percent) indicating the bank is lending primarily where business needs are located.

Commercial Lending July 1, 2010 – June 30, 2011 Geographic Distribution (000's)					
Census Tract Income Level	Bank Loans				Businesses by Census Tract Income Level
	#	%	\$	%	%
Low	2	7.1	25	0.6	5.8
Moderate	1	3.6	80	2.0	18.0
Middle	22	78.6	3,803	93.4	48.9
Upper	3	10.7	162	4.0	27.3
Unknown	0	0.0	0	0.0	0.0
Total	28	100.0	4,070	100.0	100.0

Agricultural Lending

The following table summarizes the bank's agricultural lending by income level designation of the geography. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. No unexplained or conspicuous gaps in lending were identified.

The bank originated no loans in LMI census tracts. However, the dispersion of loans in only middle- and upper-income census tracts is reasonable as the percentage of farms located in LMI tracts is 2.4 percent.

Agricultural Lending July 1, 2010 – June 30, 2011 Geographic Distribution (000's)					
Census Tract Income Level	Bank Loans				Farms by Census Tract Income Level
	#	%	\$	%	%
Low	0	0.0	0	0.0	0.1
Moderate	0	0.0	0	0.0	2.3
Middle	10	71.4	354	76.3	65.9
Upper	4	28.6	110	23.7	31.7
Unknown	0	0.0	0	0.0	0.0
Total	14	100	464	100	100.0

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

The distribution of borrowers reflects, given the products lines offered, reasonable penetration among individuals of different incomes including LMI levels and businesses and farms of different sizes.

Home Mortgage Lending

The bank's record of home mortgage lending demonstrates a poor distribution among borrowers of different income levels, which aligns with its focus on commercial lending. The table below reflects the distribution for the bank's 2010 home mortgage loans. As indicated, the bank originated 14.9 percent of its home mortgage loans by number and 8.0 percent by dollar volume to LMI borrowers compared to 27.1 percent and 16.9 percent, respectively, by aggregate lenders.

The bank and aggregate performance in lending to LMI borrowers is below the assessment area demographics. Low- and moderate-income families comprise 36.8 percent of all families in the assessment area.

Home Mortgage Lending, 2010 Borrower Distribution (000's)							
Income Level of the Borrower	Bank Loans				Aggregate of All Lenders		Families by Family Income Level
	#	%	\$	%	# %	\$ %	%
Home Purchase Loans							
Low	2	10.5	149	7.1	13.1	7.5	18.7
Moderate	3	15.8	306	14.5	22.1	17.2	18.1
Middle	8	42.1	762	36.2	20.1	19.7	23.7
Upper	3	15.8	536	25.4	25.4	36.4	39.5
Unknown	3	15.8	354	16.8	19.3	19.2	0.0
Total	19	100.0	2,107	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	2	1.8	89	0.5	6.2	3.1	18.7
Moderate	12	10.6	1,122	6.8	15.2	10.2	18.1
Middle	38	33.6	4,336	26.4	21.1	17.4	23.7
Upper	49	43.4	8,249	50.3	38.6	48.2	39.5
Unknown	12	10.6	2,613	16.0	18.9	21.1	0.0
Total	113	100.0	16,409	100.0	100.0	100.0	100.0
Home Improvement Loans							
Low	1	7.7	58	4.6	14.6	8.9	18.7
Moderate	2	15.4	6	0.5	25.6	15.6	18.1
Middle	4	30.8	299	23.6	24.1	18.8	23.7
Upper	6	46.1	902	71.3	32.0	43.5	39.5
Unknown	0	0.0	0	0.0	3.7	13.2	0.0
Total	13	100.0	1,265	100.0	100.0	100.0	100.0
Multifamily Loans							
Low	0	0.0	0	0.0	0.0	0.0	18.7
Moderate	0	0.0	0	0.0	0.0	0.0	18.1
Middle	0	0.0	0	0.0	0.0	0.0	23.7
Upper	0	0.0	0	0.0	0.0	0.0	39.5
Unknown	3	100.0	1,864	100.0	100.0	100.0	0.0
Total	3	100.0	1,864	100.0	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	5	3.4	296	1.4	9.0	4.5	18.7
Moderate	17	11.5	1,434	6.6	18.1	12.4	18.1
Middle	50	33.8	5,397	24.9	20.9	17.8	23.7
Upper	58	39.1	9,687	44.8	33.9	43.6	39.5
Unknown	18	12.2	4,831	22.3	18.1	21.7	0.0
Total	148	100.0	21,645	100.0	100.0	100.0	100.0

Commercial Lending

The bank's record of commercial lending is summarized in the following table and is considered reasonable. The bank originated 87.1 percent of loans by number and 84.6 percent by dollar volume to businesses with revenues equal to or less than \$1 million. Additionally, 63.3 percent of all commercial originations were for an amount equal to \$100,000 or less. Loan size is a reasonable

indicator of the size of the business borrower and small dollar loans are typically originated to smaller businesses. Emphasis is placed on loans in amounts of \$100,000 or less because this category of lending is considered most likely to benefit small businesses. Of the bank's commercial loans to those with annual revenues of \$1 million or less, 65.4 percent were in amounts equal to or less than \$100,000, indicating the bank is serving business community needs.

Commercial Loan Distribution July 1, 2010 – June 30, 2011 By Revenue and Loan Size (000's)					
Category	Bank Loans				Businesses By Annual Revenues
	#	%	\$	%	# %
By Revenue					
\$1 Million or Less	27	87.1	5,016	84.6	87.7
Over \$1 Million	4	12.9	916	15.4	6.5
Not Known	0	0.0	0	0.0	5.8
Total	31	100.0	5,932	100.0	100.0
By Loan Size					
\$100,000 or less	19	63.3	583	12.5	
\$100,000 - \$250,000	5	16.7	777	16.8	
\$250,000 - \$1 Million	6	20.0	3,276	70.7	
Total	30	100.0	4,636	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	17	65.4	504	13.6	
\$100,000 - \$250,000	4	15.4	638	17.1	
\$250,000 - \$1 Million	5	19.2	2,576	69.3	
Total	26	100.0	3,718	100.0	

Agricultural Lending

The bank's record of agricultural lending is summarized in the following table and is considered reasonable. The bank originated 95.0 percent of farm loans by number and 58.5 percent by dollar volume to farms with revenues equal to or less than \$1 million. Additionally, 94.4 percent of all farm loans were for an amount equal to \$100,000 or less. Loan size is a reasonable indicator of the size of the farms and small dollar loans are typically originated to smaller farms. Emphasis is placed on loans in amounts of \$100,000 or less because this category of lending is considered most likely to benefit small farms. Of the bank's agricultural loans to those with annual revenues of \$1 million or less, 94.4 percent were in amounts equal to or less than \$100,000, indicating the bank is serving farm community needs.

Agricultural Loan Distribution July 1, 2010 – June 30, 2011 By Revenue and Loan Size (000's)					
Category	Bank Loans				Farms By Annual Revenues
	#	%	\$	%	# %
By Revenue					
\$1 Million or Less	19	95.0	1,879	58.5	99.4
Over \$1 Million	1	5.0	1,334	41.5	0.4
Not Known	0	0.0	0	0.0	0.2
Total	20	100.0	3,213	100.0	100.0
By Loan Size					
\$100,000 or less	17	94.4	669	76.1	
\$100,000 - \$250,000	1	5.6	210	23.9	
\$250,000 - \$500,000	0	0.0	0	0.0	
Total	18	100.0	879	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	17	94.4	669	76.1	
\$100,000 - \$250,000	1	5.6	210	23.9	
\$250,000 - \$500,000	0	0.0	0	0.0	
Total	18	100.0	879	100.0	

Response to Complaints

Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

CRA APPENDIX

GLOSSARY

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.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and 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.

Consumer loan: A loan 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 of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

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).

Family Income: Includes the income of all members of a family that are age 15 and older.

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and

internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

HUD Metro Fair Market Rent Area (HFMR): Is a geographic area developed by the Department of Housing and Urban Development (HUD) that often is comparable to the Office of Management and Budget (OMB) metropolitan areas. HFMR is the level of geography that is used for all HUD Fair Market Rent (FMR) and Median Family Income (MFI) Data. A HFMR represents the area in which rental housing is in direct competition and may not always correspond to metropolitan divisions. Non-metropolitan area data is released for individual counties.

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 lenders in the MSA/assessment area.

Median Income: The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) 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: A metropolitan statistical area (**MSA**) or a metropolitan division (**MD**) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area (**MMSA**). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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.

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.

Small loans to business: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small loans to farms: 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 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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