



PUBLIC DISCLOSURE

June 09, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Stillman Bancorp National Association
Charter Number 14369

101 East Main Street, Stillman Valley, IL 61084

Office of the Comptroller of the Currency

Chicago - Schaumburg Field Office
1700 East Golf Road Suite 800, Schaumburg, IL 60173

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors that support the institutions rating include:

- The bank's loan-to-deposit ratio is reasonable given the credit needs of the assessment area (AA), the size and financial condition of the institution, and market conditions.
- Stillman BancCorp NA (SBNA) originated a majority of its loans within its AA.
- Borrower distribution of home loans, small business loans, and small farm loans is reasonable.
- SNBA shows adequate responsiveness in meeting the community development (CD) needs in its AA.

Scope of Examination

SBNA was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a CD test, to assess compliance with the Community Reinvestment Act (CRA). The lending test evaluates SNBA's record of meeting the credit needs of its AA through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services.

SNBA has two AAs within the state of Illinois. One of which is in a Metropolitan Statistical Area (MSA), and one that is in a Non-MSA. The Ogle AA is a Non-MSA and holds four of the six bank branches, and over 65 percent of deposits (as of June 30, 2014). The Boone/Winnebago AA includes part of the Rockford MSA, where the rest of the branches and deposits reside. Given that the majority of the bank's branches and deposits are concentrated in the Ogle AA, we performed a full-scope review for that AA. The Boone/Winnebago AA was reviewed using limited-scope procedures.

The evaluation period for the lending test starts from January 1, 2013 through December 31, 2014. The bank's primary loan products that were reviewed as part of the lending test included residential real estate and commercial lending. We used the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) to analyze the bank's residential real estate loans from the evaluation period. Commercial lending data was analyzed using reports provided by the bank. Our data integrity analysis included a sample of 60 loans from each loan type (Home, Small Business, and Small Farm loans) to verify the accuracy of data provided for 2013 and 2014. Data used in this examination was tested for validity during our onsite data integrity review conducted in March 2015.

The loan data was deemed reliable as no significant errors were found. We also considered qualified CD loans, investments, and services since the last CRA evaluation dated July 16, 2012 through June 9, 2015.

The reported Federal Deposit Insurance Corporation (FDIC) annual deposit information was used to determine the bank's deposit market share and market presence within its AAs. The most recent deposit market share information is as of June 30, 2014. We used quarterly financial data since the last CRA evaluation to assess the loan-to-deposit (LTD) ratio. Quarterly loan and deposit data for 12 quarters from March 31, 2012 through March 31, 2015 was averaged and analyzed.

Description of Institution

SBNA is a \$417 million full-service intrastate institution headquartered in Stillman Valley, Illinois, which is located approximately 15 miles southwest of Rockford, Illinois. The holding company, Stillman BancCorp, Incorporated, is a one-bank holding company. Along with the main branch in Stillman Valley, SBNA has other full service branches located in Byron, Oregon, Rochelle, Rockford, and Roscoe. Full-service 24-hour ATMs are accessible at all SBNA office locations. Additionally, SBNA has 12 ATMs situated in local businesses, which only dispense cash.

SBNA is a commercial and residential mortgage lender. The bank sells a considerable amount of originated residential mortgages on the secondary market. As of March 31, 2015, total loans and leases are \$142 million. Loans represent 34 percent of average assets. Commercial loans are the institution's primary portfolio lending product, totaling \$69 million or 49 percent of the total loan portfolio. Residential loans are the second primary product and represent 32 percent, or \$45 million. Agricultural, consumer, and other loans account for the remaining 19 percent of the portfolio, totaling \$22 million, \$4 million, and \$781 thousand, respectively.

The bank does not have any legal impediments that hinder their ability to serve the credit needs of its AA. The last CRA evaluation dated July 16, 2012 rated SBNA "Satisfactory."

Description of Assessment Area(s)

Full-Scope AA: Ogle County non-MSA AA

The Ogle AA contains 11 census tracts, which does not include any low- or moderate-income geographies. The Ogle AA includes seven middle-income geographies and four upper-income geographies. The AA is reasonable based on the size and financial capacity of the bank.

Within the Ogle County Non-MSA AA, the bank has four bank branches. Competition is moderate as there are 11 institutions within the AA. SBNA has the highest deposit

market share in the AA, totaling 21.82 percent per the FDIC Deposit Market Share Report dated June 30, 2014. Deposit market share percentages for the remaining institutions range from 18.62 to 1.47 percent.

According to 2010 US Census data, the total population for Ogle County amounted to 53,497 individuals, comprising of 14,676 families and 20,669 households. Out of the total families, 972, or 6.62 percent, live below the poverty level. The seven middle-income census tracts hold 13,387 households and account for 63.64 percent of the Ogle AA, whereas the four upper-income census tracts consist of 7,282 households, or 36.36 percent of the Ogle AA. Percentage of family income within the AA includes 12.88 percent low-income, 13.87 percent moderate-income, 24.09 percent middle-income, and 49.16 percent upper-income. For 2014, the Department of Housing and Urban Development calculates the weighted average median family income to be \$58,600.

The 2010 US Census data shows a total of 22,386 housing units within the Ogle County AA. Of these, 69.80 percent are owner occupied, 22.53 percent are rental occupied, and 7.67 percent are vacant. The weighted average monthly gross rent is \$647, and the weighted average of median housing value is \$147,881.

As of December 2014, the U.S. Bureau of Labor Statistics showed a 6.80 percent unemployment rate for the Ogle County AA, versus a 6.2 percent unemployment rate for the state of Illinois. Per June 2013 business demographic data, there were 3,436 businesses in the Ogle County AA. Of these, 467 (13.59 percent) were farm businesses, and 2,969 were non-farm businesses. Businesses within the Ogle County AA are mainly small, as 70 percent of businesses employ only one to four individuals, 85 percent employ less than 50 individuals, and only 3.38 percent of businesses have revenues of over \$1 million. The AA's local economy is primarily comprised of service businesses (36.09 percent), agriculture/forestry/fishing (13.59 percent), and retail trade (11.32 percent).

In conducting this evaluation of the bank's performance, we contacted a community leader to inquire about the local economic conditions and credit needs within the Ogle AA. Per community contact information, the community has shown gradual improvement from the economic downturn as evidenced by fewer foreclosures and increased economic activity. The increase in economic activity can be attributed to a strong manufacturing sector, which is able to provide more job opportunities for individuals. According to the community contact, an identified community need within this AA is affordable housing.

Limited-Scope AA: Boone/Winnebago County Rockford MSA AA

The Boone/Winnebago AA contains 81 census tracts, which include a variety of income geographies. Specifically, the Boone/Winnebago AA contains one other, 10 low-, 23 moderate-, 30 middle-, and 17 upper-income census tracts. The AA is reasonable based on the size and financial capacity of the bank.

Within the Boone/Winnebago County Rockford MSA AA, the bank holds two branches. Competition within the AA is strong as there are 26 institutions within the AA. Alpine

Bank & Trust Co. has the highest deposit market share, totaling 19.70 percent per the FDIC Deposit Market Share Report dated June 30, 2014. SBNA ranks 12th with 2.29 percent of the deposit market share.

According to 2010 US Census data, the total population for the Rockford MSA was 332,619 individuals, comprised of 84,105 families and 124,267 households. Out of the total families, 9,592, or 11.40 percent, live below the poverty level. The middle-income census tracts account for the largest percentage of households, followed by moderate-income, upper-income, low-income, and other tracts which total 37.04 percent, 28.40 percent, 20.99 percent, 12.35 percent, and 1.23 percent, respectively. Percentage of family income within the AA includes 22.27 percent low-income, 17.65 percent moderate-income, 21.50 percent middle-income, and 38.59 percent upper-income. For 2014, the Department of Housing and Urban Development calculates the weighted average median family income to be \$55,900.

The 2010 US Census data shows a total of 138,407 housing units within the Boone/Winnebago County AA. Of these, 63.83 percent are owner occupied, 25.95 percent are rental occupied, and 10.22 percent are vacant. The weighted average monthly gross rent is \$680, and the weighted average of median housing value is \$132,381.

As of December 2014, the U.S. Bureau of Labor Statistics showed a 7.9 percent unemployment rate for Rockford, IL, versus a 6.2 percent unemployment rate for the state of Illinois, 6.9 percent for Winnebago County, and 6.8 percent for Boone County. Per June 2013 business demographic data, there were 18,504 businesses in the Boone/Winnebago AA. Of these, 696 (3.76 percent) were farm businesses, and 17,808 were non-farm businesses. Similar to the Ogle County AA, businesses are mainly small, as 64 percent of businesses employ only one to four individuals, 84 percent employ less than 50 individuals, and only 6.29 percent of businesses have revenues of over \$1 million. The AA's local economy is primarily comprised of service (42.39 percent) and retail trade (14.50 percent) businesses.

In conducting this evaluation of the bank's performance, we contacted a community leader to inquire about the local economic conditions and credit needs within the Boone/Winnebago AA. Per community contact information, the current economic conditions have improved as unemployment has declined down to the single digits. Additionally, there has been tremendous growth in industries such as manufacturing, retail, and health services. According to the community contact, the greatest identified need within this AA is loans for continuing economic development.

Conclusions with Respect to Performance Tests

LENDING TEST

SNBA's performance under the Lending Test is rated Satisfactory.

Loan-to-Deposit Ratio

SNBA's quarterly average loan-to-deposit ratio is reasonable given the adjustments made for the volume of loans sold on the secondary market, the bank's size, financial condition, and AA credit needs.

Since the prior CRA evaluation, the quarterly average loan-to-deposit (LTD) ratio obtained and calculated from Uniform Bank Performance Report (UBPR) data beginning March 31, 2012 to March 31, 2015 is 40.63 percent. Per the March 31, 2015 UBPR, the most recent LTD ratio for the bank is 39.74 percent.

SNBA's LTD ratio of 40.63 is significantly lower than that of its peer group. The bank's peer group consisted of 12 similarly sized institutions with total assets ranging from \$82 million to \$1.2 billion. The average LTD of SNBA's peers ranged from 30.88 percent to 103.77 percent. Compared to the institutions in its peer group, SNBA ranked 11th out of 12 institutions for its average LTD ratio. However, SNBA's LTD does not reflect the large amount of mortgage loans that are originated and then sold on the secondary market, which substantially dilutes SNBA's LTD. As of December 2014, the bank sold \$319 million in home loans on the secondary market over a one-year period.

Lending in Assessment Area

The bank originated a majority of loans inside its AA. Out of 1,664 loans originated in 2013 and 2014, 1,407 (or 84.56 percent) loans were within the bank's assessment area. In terms of total dollar value of loans originated, this translates to approximately \$157 million (or 82.07 percent). The types of loans originated by the bank included Home, Small Business, and Small Farm loans. Refer to Table 1 for further details on SNBA's specific lending within its AA.

Table 1 - Lending in the AA - Ogle and Boone / Winnebago AAs combined										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Home Loans	829	83.74	161	16.26	990	87,240	77.91	24,734	22.09	\$111,974
Business	419	85.34	72	14.66	491	50,581	87.70	7,093	12.30	\$57,674
Farm	159	86.89	24	13.11	183	18,929	88.64	\$2,426	11.36	\$21,355
Total	1,407	84.56	257	15.44	1664	156,750	82.07	34,253	17.93	\$191,003

Source: Bank data and HMDA reports.

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

Overall, the bank's lending to borrowers of different income levels and businesses of different sizes is reasonable.

Full-Scope: Ogle AA

The borrower distribution in the bank's Ogle AA reflects reasonable penetration.

Home Loans

The bank's distribution of home purchase, home refinance, and home improvement loans to borrowers reflects reasonable penetration among borrowers of different income levels.

For home purchase loans, the bank's borrower distribution to low-income borrowers is poor as the percentage of bank loans made to low-income borrowers is lower than the percentage of low-income families. The bank's home purchase lending to moderate-income borrowers is excellent as the percentage of bank loans made to moderate-income borrowers significantly exceeds the percentage of moderate-income families.

For home improvement loans, the bank's borrower distribution to low-income borrowers is reasonable as the percentage of bank loans made to low-income borrowers is near the percentage of low-income families. The bank's home improvement lending to moderate-income borrowers is excellent as the percentage of bank loans made to moderate-income borrowers exceeds the percentage of moderate-income families.

For refinancing loans, the bank's borrower distribution to low-income borrowers is poor as the percentage of bank loans made to low-income borrowers is lower than the percentage of low-income families. The bank's refinancing lending to moderate-income borrowers is excellent as the percentage of bank loans made to moderate-income borrowers exceeds the percentage of moderate-income families.

Taking into account the AA's families living below the poverty rate of 6.62 percent, the bank's overall level of home mortgage lending to low-income borrowers is reasonable.

Refer to Table 2 for further details on the bank's lending to borrowers of different income levels within the AA.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Ogle AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	12.88	2.86	13.87	22.14	24.09	34.29	49.16	40.71
Home Improvement	12.88	12.00	13.87	20.00	24.09	26.00	49.16	42.00
Home Refinance	12.88	6.18	13.87	15.17	24.09	28.09	49.16	50.56

Source: Bank data reported under HMDA; U.S. Census data

Small Loans to Businesses

The bank's distribution of loans to small businesses reflects reasonable penetration among businesses of different sizes within the Ogle AA.

The bank's percentage of loans made to businesses with reported revenues of less than \$1 million is lower than the percentage of businesses in the AA with reported revenues of less than \$1 million. However, when analyzing the distribution of the bank's business loans by loan size, a majority (68 percent) of loans originated to businesses were in the amount of \$100 thousand or less, supporting a reasonable distribution of small loans to businesses. Furthermore, the bank's market share for small business lending at 23 percent exceeded its overall business loan market share of 18 percent, further supporting reasonable penetration.

Refer to tables below for further details on the bank's lending to businesses of different income levels within the AA.

Table 3 - Borrower Distribution of Loans to Non-Farm Businesses in Ogle AA				
Non-Farm Business Revenues	≤ \$1,000,000	> \$1,000,000	Unavailable / Unknown	Total
% of AA Non-Farm Businesses	72.38	3.87	23.75	100%
% of Bank Loans in AA by #	54.95	36.22	8.83	100%

Source: Bank loan data; Dun & Bradstreet data

Table 4 - Borrower Distribution of Loans to Businesses by Loan Size in Ogle AA	
Loan Size (000's)	Percent of Number
\$0 - \$100,000	68.13
\$100,001 - \$250,000	17.58
\$250,001 - \$1,000,000	14.29

Source: Bank loan data; Dun & Bradstreet data

Small Loans to Farms

The bank’s distribution of loans to small farms reflects reasonable penetration within the Ogle AA.

The bank’s percentage of loans made to farms with reported revenues of less than \$1 million is lower than the percentage of farms in the AA with reported revenues of less than \$1 million. However, when analyzing the distribution of the bank’s farm loans by loan size, a majority (61 percent) of loans originated to farms were in the amount of \$100 thousand or less, which supports a reasonable distribution of loans to small farms. Furthermore, the bank’s market share for small farm lending at 75 percent exceeded its overall small farm market share of 59 percent, further supporting reasonable penetration.

Refer to the table below for further details on the bank’s lending to small farms within the AA.

Table 5 - Borrower Distribution of Loans to Farm Businesses in Ogle AA				
Farm Business Revenues	≤ \$1,000,000	> \$1,000,000	Unavailable / Unknown	Total
% of AA Farm Businesses	99.36	0.21	0.43	100%
% of Bank Loans in AA by #	68.97	19.71	11.32	100%

Source: Bank loan data; Dun & Bradstreet data

Conclusions for Limited-Scope AA

Based on a limited-scope review, the bank’s overall performance in the Boone/ Winnebago AA under the lending test for borrower distribution of residential mortgage and small business lending is not inconsistent with the bank’s overall lending test rating under the full-scope AA.

Geographic Distribution of Loans

A geographic distribution test was not performed on the Ogle AA as it contains no low- or moderate-income tracts and an analysis of geographic distribution would not be meaningful. The bank extended loans to most of its census tracts in the Ogle AA during this evaluation period.

Based on our limited-scope review, the bank’s performance under the lending test for geographic distribution of the primary loan categories in the Boone/Winnebago AA of the Rockford MSA is not inconsistent with the bank’s overall lending test performance. The bank’s geographic distribution performance for the Boone/Winnebago AA is reasonable. There were no significant unexplained lending gaps noted in the bank’s Boone/ Winnebago AA.

Responses to Complaints

SBNA did not receive any written complaints regarding its performance in helping to meet the credit needs within its AA during the evaluation period. The OCC has not received any consumer complaints or comments regarding the bank's CRA performance during this evaluation period.

COMMUNITY DEVELOPMENT TEST

SNBA's performance under the Community Development Test is rated Satisfactory.

Number and Amount of Community Development Loans

SBNA demonstrates adequate responsiveness to community development needs within the Ogle AA. All CD loans made by the bank within the Ogle AA are to organizations with a primary purpose of serving low- to moderate-income individuals within the community.

The bank made three qualified loans in the AA totaling around \$673 thousand during the evaluation period. One of these loans was to a community hospice, which provides affordable housing in addition to medical, emotional, psychological, and spiritual care for the terminally ill and their families. The two other loans were made to a childcare center, which is a non-profit organization providing day care services for children in Rochelle and surrounding areas.

Number and Amount of Qualified Investments

The amount of investments and contributions that SBNA made during the evaluation period is adequate. The institution made \$645 thousand in qualified investments within the Ogle AA. Specifically, the bank purchased two financial securities benefiting low-income students within Rochelle, IL (Rochelle Elementary School) and Oregon, IL (Community Unit School District) totaling \$165 thousand and \$480 thousand, respectively. As of 2015, a majority of students within these school districts qualify as low- or moderate-income per the state profile.

During the evaluation period, the bank made over \$17 thousand in qualified contributions to 14 organizations concentrated within the Ogle AA. These organizations focus on serving low- to moderate-income individuals within the community, in addition to emphasizing overall community development. The donations made by the bank are to organizations such as food pantries, libraries, shelters, and schools.

Extent to Which the Bank Provides Community Development Services

The bank provides an adequate level of community development services within the Ogle AA. During the evaluation period, five bank officers or employees provided financial or technical expertise to six different organizations by serving as directors, treasurers, or members. The organizations that the bank officers or employees are involved with hold the purpose of providing services such as food donation, consumer and financial education, economic development, small business development, and affordable housing to low- and moderate-income individuals. Further, SBNA provides its bank lobbies on an annual basis for organized food drives.

Although all of SBNA's branch offices are located within middle- to upper-income census tracts, they are all easily accessible to low- and moderate-income individuals within the AA. Additionally, all of SBNA's products and services are available at all locations, and bank hours do not vary between branch locations.

Responsiveness to Community Development Needs

Overall, the bank's CD performance reflects an adequate response in meeting the CD needs of the AA. The main identified need in the AA was loans to promote affordable housing. As such, the bank appropriately recognized this need by extending a loan to an organization that provides a form of affordable housing to low- and moderate-income individuals and their families. Additionally, the bank made a positive impact on the needs of the community by donating to organizations providing CD services to low- and moderate-income individuals, and by providing needed financial and technical assistance within various organizations throughout the AA.

Conclusions for Limited-Scope AA

Based on a limited-scope review, the bank's performance in the Boone/Winnebago AA under the CD test for providing qualified CD loans, investments, and CD services to benefit low- to moderate- income individuals within the community is not inconsistent with the bank's overall community development test rating under the full-scope AA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's (bank) CRA rating, respectively, 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.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.