



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

June 20, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The National Bank & Trust Company of Sycamore
Charter Number: 13872

230 West State Street
Sycamore, Illinois 60178

Office of the Comptroller of the Currency

Chicago Field Office
1700 East Golf Road, Suite 800
Schaumburg, Illinois 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: OUTSTANDING.

- The bank's Loan-to-Deposit ratio is reasonable given the credit needs of the assessment area (AA), market conditions, and the size and financial condition of the institution.
- The National Bank & Trust Company of Sycamore (NBTS) originated a majority of its loans within its AA.
- Borrower distribution of small business loans and mortgage loans is reasonable.
- Geographic distribution of small business loans and mortgage loans is excellent.
- NBTS demonstrated excellent responsiveness to the community development needs in its AA.

Scope of Examination

NBTS was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development (CD) test, to assess compliance with the Community Reinvestment Act (CRA). The lending test evaluates NBTS'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.

The evaluation period for the lending test covers the years 2012 and 2013. The bank's primary loan categories were identified as residential real estate and commercial lending. We analyzed residential real estate loans from the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) and a sample of 23 small business loans originated within the AA (MSA and Non-MSA) during the evaluation period. Data used in this evaluation was tested for validity prior to the examination and all data was found to be reliable. We also considered investments, services, and community development loans originated since the last CRA evaluation dated December 16, 2010 through May 31, 2014. We reviewed all loans, investments, and services with a primary purpose of CD presented by management. Those activities that meet the definition of CD per the CRA are included in this evaluation.

A portion of the bank's assessment area is located in a Metropolitan Statistical Area (MSA) and the other portion is located within an adjacent non-MSA area. Eight out of ten of the bank's branches are located within the Chicago-Naperville, Joliet IL MSA. These branches account for 94 percent of deposits and the vast majority of all lending thus we elected to perform a full-scope review on this portion of the AA. The non-MSA portion was reviewed using limited-scope procedures.

Using the 2010 Census and aggregate HMDA data, we generated demographic reports to compare NBTS's 2012-2013 HMDA lending to the census data of the AA. Aggregate HMDA data for 2013 was not yet available at the time of our evaluation. Therefore, we relied on 2012 aggregate HMDA data for our analysis.

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 AA. The most recent deposit market share information is as of June 30, 2013. We used quarterly financial data since the last CRA examination to evaluate the loan-to-deposit (LTD) ratio. Quarterly loan and deposit data for 16 quarters from September 30, 2010 through March 31, 2014 was average and analyzed.

Description of Institution

NBTS is an intrastate financial institution headquartered in Sycamore, Illinois, with \$625 million in assets as of March 31, 2014. The parent company is NI Bancshares Corporation headquartered in Sycamore, Illinois. The parent company has two other subsidiaries, NB&T CDC, LLC and Plank Road, LLC. NB&T LLC is a CD corporation while Plank Road, LLC is used to hold and manage the bank's Other Real Estate Owned portfolio.

The bank's primary business focus is community banking. To serve the needs of their clients, the bank offers a mix of loan and deposit products as well as fiduciary services. Products and services are extended to individuals and businesses. The bank currently has ten branches in the state of Illinois located in the towns of Sycamore, DeKalb, Elburn, Genoa, Sandwich, Leland, and Serena. In addition, the bank has 19 ATM locations, out of which ten have the ability to take deposits. As of March 31, 2014, the bank held approximately \$627 million in total assets. The bank's loan portfolio totaled \$384 million and was composed of about \$280 million in real estate loans, \$48 million in commercial loans, \$46 million in individual consumer loans, and \$10 million in agricultural loans.

There are no financial, legal impediments, or other factors that would prohibit the bank from serving the credit needs of its AA. The last CRA evaluation dated December 16, 2010 rated NBTS "Satisfactory".

Description of Assessment Area(S)

The bank's AA is located within the Chicago-Naperville Joliet IL MSA and includes an adjacent portion of a non-MSA area. The MSA AA consists of all of DeKalb County and portions of Kane County with a population of 247,000 people. The AA is consistent with the regulation requirements. The non-MSA area consists of portions of northern LaSalle County IL with a population of 39,000 people.

The bank's assessment area includes 43 census tracts. These consist of 35 census tracts within the MSA and 8 in the non-MSA area. Median Family Income in the MSA assessment area was \$73,400 while the non-MSA AA had a Median Family Income of \$56,200 as of December 31, 2013. There are 2 low- income tracts, 2 moderate- income tracts, 19 middle-income tracts, and 12 upper- income tracts located in the MSA AA. The non-MSA consists of 5 middle-income tracts, 3 upper income tracts, and no low- or moderate- income tracts.

Economic conditions in the local area are weaker when compared to the national economy based on data from the Bureau of Labor Statistics. As of December 31, 2013, unemployment rates in both the MSA and Non-MSA AA were higher than the national average of 7.0 percent. As of June 30, 2014, unemployment rate averaged 8.6 percent within the MSA AA and 11.2 percent within the Non-MSA. As of June 30, 2014, unemployment rate for the state of Illinois was 9.1 percent. Northern Illinois University and Kishwaukee Health Systems continue to be the major employers within the bank's AA.

The bank has eight branches within their MSA AA, and two within the non-MSA AA. Competition is high as there are 41 institutions within the bank's MSA AA. JPMorgan Chase Bank has the highest market share at 12.51percent of deposits. NBTS ranks sixth with 4.97percent of the market share of deposits.

We conducted two community contacts within the bank's AA during this evaluation. One contact works primarily with small businesses in Kane County to assist them in obtaining start-up or growth funding. Small business lending was identified as being a need within the community. The other contact works for a community service organization in DeKalb County that provides individuals 125 percent below the poverty line with tools to improve their income and financial knowledge. Affordable housing and financial literacy were identified as being critical needs within the community. We also reviewed two additional community contacts from different CRA evaluations conducted on financial institutions with overlapping AAs. These contacts also stated small business lending and affordable housing were known credit needs in the AA.

Conclusions with Respect to Performance Tests

LENDING TEST

Overall NBTS's performance under the Lending Test is reasonable. The bank's loan to deposit ratio is reasonable and a majority of the loans originated were inside the bank's AA. The bank's geographic distribution has excellent dispersion in the AA and borrower distribution is reasonable.

Loan-to-Deposit Ratio

The bank's quarterly average loan-to-deposit ratio is reasonable given the credit needs

of the assessment area, market conditions, and the bank’s size and financial condition. The bank averaged a quarterly loan-to-deposit ratio of 61.51 percent over the time period September 30, 2010 through December 31, 2013. The bank’s peer group consisted of 13 institutions with total assets ranging from \$39 million to \$2 billion with offices in the bank’s delineated AA. The average loan-to-deposit ratio in the peer group ranged from 45.83 percent to 91.58 percent.

Lending in Assessment Area

The majority of HDMA and small business loans that NBTS originates are within their AA. Out of 810 HDMA loans originated or purchased, 509 (or 62.84 percent) were in the bank’s assessment area. Our analysis included a sample of 23 small business loans originated during the evaluation period. One hundred percent of our sample was originated within the bank’s AA. See Table 1 below for details.

Loan Type	In Assessment Area				Out of Assessment Area				Totals	
	#	%	\$	% of \$	#	%	\$	% of \$	#	\$
Small Business Loans	23	100	\$17,521	100	0	0	0	0	23	\$17,521
Consumer Loans	509	62.84	\$84,473	60.69	301	37.16	\$54,712	39.31	810	\$139,185
Grand Total	532	64.42	\$101,994	65.08	301	35.58	\$54,712	34.92	833	\$156,706

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

Overall, the bank’s borrower distribution has reasonable penetration.

Small Business Loans

Borrower distribution of small business has poor penetration. Of our sample of 23 loans within the MSA area, the bank made 11 loans or 47.82 percent to businesses with less than \$1 million in revenue. Business data shows that about 84.43 percent of total businesses within the MSA AA are businesses with revenues less than \$1 million. Please see Table 2 below for more information.

Business Revenues (or Sales)	≤ 1,000,000	>1,000,000	Unavailable/ unknown	Total
% of AA Businesses	84.43	4.40	11.17	100.00
% of Bank Loans in AA by #	47.82	52.18	0.00	100.00
% of Bank Loans in AA by \$	27.81	72.19	0.00	100.00

HMDA Loans

Overall, the borrower distribution of HMDA loans within the MSA assessment area has reasonable penetration. Penetration to low-income borrowers is adequate at 8.20 percent with 12.55 percent low-income families in the AA. We took into consideration that 4.44 percent of families in the AA are below poverty level and these families are not readily able to afford homeownership. The penetration for moderate-income borrowers is excellent at 21.06 percent with 13.24 percent moderate-income families in the AA. Please see Table 3 Below.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential Mortgage Loans	12.55	5.14	13.24	16.12	20.27	23.64	53.95	55.1

Geographic Distribution of Loans

Overall, the bank’s geographic distribution has excellent dispersion.

Small Business Loans

The bank’s geographic distribution of Small Business within the MSA AA has an excellent dispersion. While the bank did not make any loans in low- income tracts, lending opportunities are extremely limited within those tracts as only 1.19 percent of the AA’s businesses are located in the low- income census tracts. Lending within moderate-income tracts is excellent as the bank made 13 percent of our sample of small business loans in moderate- income census tracts while only 3.08 percent of the AA’s businesses are located within those tracts. See Table 4 below for details.

Census Tract Level	Low		Moderate		Middle		Upper	
	% of AA Business/ Farms	% of Number of Loans	% of AA Business/ Farms	% of Number of Loans	% of AA Business/ Farms	% of Number of Loans	% of AA Business/ Farms	% of Number of Loans
Small Business/								
Small Farm	1.19	0.00	3.08	12.00	59.12	81.00	36.61	7.00

HMDA Loans

The bank’s geographic distribution for HMDA loans has excellent dispersion. The percentage of loans to both low- and moderate- income tracts exceed the percentage of owner occupied housing in those tracts. The percent of the bank’s loans originated in low-income tracts (1.96 percent) is greater than the percent of owner occupied housing units (0.7 percent) in the AA being located in those tracts. In addition, 5.43 percent of the bank’s loans were originated in moderate- income tracts with 2.92 percent of owner-occupied housing in the AA located in those tracts. Please see Table 5 below.

Census Tract Level	Low		Moderate		Middle		Upper	
Loan Type	% of Owner Occupied Housing	% of Number of Loans	% of Owner Occupied Housing	% of Number of Loans	% of Owner Occupied Housing	% of Number of Loans	% of Owner Occupied Housing	% of Number of Loans
HMDA Loans	0.7	1.96	2.92	5.43	49.14	59.58	47.24	33.03

There were no unexplained lending gaps in the bank’s AA.

Responses to Complaints

NTBS did not receive any complaints relating to its CRA performance during the evaluation period. The OCC did not receive any CRA-related comments or complaints during the evaluation period.

Conclusions for Areas Receiving Limited-Scope Reviews

The bank’s overall performance under the lending test for the LaSalle County non-MSA AA is not inconsistent with the bank’s overall satisfactory performance under the lending test.

COMMUNITY DEVELOPMENT TEST

The bank’s responsiveness under the Community Development Test is excellent. Combined, community development loans and qualified investments totaled \$12 million or 22 percent of Tier 1 Capital. Bank management actively participated in many CD service activities in a leadership role.

Number and Amount of Community Development Loans

The volume of loans demonstrates excellent responsiveness to the area’s known CD lending credit needs. NBTS originated or renewed 14 eligible CD loans totaling \$11.5 million during the evaluation period. One loan went to an organization that provided affordable housing. One loan was to an organization that focuses on economic

development with loan proceeds to be used for redevelopment of a Tax Increment Financing District. The remaining twelve loans were to organizations that provide community services including healthcare, education, and social services.

Number and Amount of Qualified Investments

The amount of investments and donations the bank provided is reasonable. In February 2009, the bank established a community development corporation (CDC), NB&T CDC, LLC. The main purpose of this organization is to make investments and grants for public welfare and CD purposes that benefit low- and moderate- income individuals. The bank's capitalization of the CDC remains outstanding at this evaluation, at \$250 thousand. During the evaluation period, the CDC provided a grant to the DeKalb Community Foundation that is in an area targeted for redevelopment in the bank's AA.

The bank also provided 35 donations totaling about \$208,000 during the years of 2011, 2012, and 2013. The recipients of these grants include community services organizations and economic development organizations serving NBTS's delineated AA.

The bank currently has one branch located in a low-moderate income census tract.

Extent to Which the Bank Provides Community Development Services

The level of community development services the bank provides demonstrates excellent responsiveness. Bank personnel are involved in significant leadership roles in a variety of organizations that provide the most critical CD needs of the AA. The organizations include sixteen different organizations whose primary purpose includes affordable housing, social services, and educational efforts in the AA. There are three committee members, seven Board of Director members, and six volunteer/members participating in these organizations. In addition, there are two Board of Director members and two volunteer/members in four additional organizations whose primary purpose is small business development.

Responsiveness to Community Development Needs

Overall, the bank does an excellent job of meeting the CD needs of the AA. Identified CD needs in the area were affordable housing and small business development. Our evaluation of the bank's CD efforts recognized the depth of participation in helping to meet these needs by the bank primarily considering the volume and amount of CD loans and CD services.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (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.

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