



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

December 16, 2010

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

230 West State Street  
Sycamore, IL 60178

Office of the Comptroller of the Currency  
Chicago North  
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 National Bank and Trust Company of Sycamore has a good record of meeting the community credit needs based on the following:

- The bank's loan to deposit ratio is reasonable given the size, financial condition, and credit needs of the assessment area (AA).
- The majority of the bank's loans are within its AA.
- Overall the borrower distribution of small business loans and mortgage loans is good.
- Community development loans made are responsive to the credit needs of the AA.

## **Scope of Examination**

The scope of the CRA examination included focusing on the primary loan types: commercial and Home Mortgage Disclosure Act (HMDA) loans that were originated or purchased during the evaluation period. The evaluation period for this performance assessment consists of the years 2008, 2009, and year-to-date 2010. A sample of 57 commercial and HMDA loans were selected for this evaluation. We also considered all community development loans, investments, and services originated since the last CRA examination.

## **Description of Institution**

The National Bank and Trust of Sycamore (NB&T) is a \$558 million financial institution. NBTS is a wholly subsidiary of NI Bancshares Corporation. The Holding Company has one subsidiary, NB&T CDC, LLC, a community development corporation. The bank does have one subsidiary, Plank Road, LLC, organized for the holding of Other Real Estate Owned by NB&T. NI Bancshares Corporation is a one bank holding corporation headquartered in Sycamore, Illinois.

NBTS has nine branch locations. The main office is located in Sycamore, Illinois. NBTS has two locations in DeKalb, one in Coltonville, Genoa, Serena and Leland, all in Illinois. The bank has their farm department in the DeKalb County Farm Bureau which is located in Sycamore. The bank has an additional branch location in DeKalb, called Banco NB&T which focuses on offering products and services to the Hispanic population living within the AA. In addition, the bank has 18 ATM locations to service its customers.

NBTS's primary business objective is community banking. The bank offers its customers a variety of loan and deposit products and services to both commercial and individual clients. Primary lending consists of commercial loans including small business loans as well as HMDA reportable loans. As of December 31, 2010 NBTS reported total outstanding loans of approximately \$333 million and a net loan-to-average assets ratio of 58.61%. The bank's total deposits equal approximately \$488 million. Tier 1 capital is reported as \$62 million.

There are no legal, financial, or other factors that hinder the bank's ability to help meet the credit needs in its AA. NBTS was rated "Satisfactory" at its prior CRA examination dated October 23, 2006.

## **Description of Assessment Area(S)**

The bank's AA consists of a small portion of the Chicago Metropolitan Statistical Area (MSA) including all of DeKalb and portions of Kane County. The bank's delineated community also includes portions of northern LaSalle County, Illinois which is a non-MSA area. The bank's performance in the MSA and non-MSA portions of the AA will be assessed separately

The entire area is contiguous and consists of a total of 33 census tracts. The AA does not arbitrarily exclude any low- or moderate-income areas. Of the 33 census tracts, 21 are located in the DeKalb County, 5 are located in Kane County and 7 are located in LaSalle County. DeKalb County contains 2 low-income census tracts; 1 moderate-income tract; 17 middle-income tracts; and 1 upper income census tract. The bank's AA in Kane County has 4 upper-income census tracts; 1 middle-income tract and no low- or moderate-income census tracts. The delineated community within LaSalle County has 3 middle-income tracts, 4 upper-income tracts and no low- or moderate-income census tracts.

While the overall economy remains stressed, the local economy has remained relatively stable. Major employers in the area include Northern Illinois University along with Kishwaukee Health Centers. The local economy is also highly diversified with different manufacturers throughout the area. Due to the lower cost of housing as compared to other markets, the local housing market has retained most of its value.

The competition within the AA is strong. There are 61 financial institutions within DeKalb, Kane and LaSalle counties. Old Second National Bank is the leader, holding 11% of the deposit market share. NBTS ranks sixth, holding 4% of the market share of deposits.

A community contact was reviewed, the Chamber of Commerce in DeKalb, Illinois. The contact indicated the major credit needs for the AA are business expansion and financing for housing.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The bank does a satisfactory job of lending within its AAs.

#### Loan-to-Deposit Ratio

NBTS's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly loan-to deposit ratio averaged 78% over 17 quarters from September 30, 2006 through December 31, 2010. NBTS national peer group consisted of 17 banks with total assets ranging from \$35 million to \$2.3 billion and an average loan-to-deposit ranging from 55% to 102%. The quarterly average loan-to-deposit ratio for three local community banks which are very similarly situated to NBTS ranges from 75% to 102%.

#### Lending in Assessment Area

A majority of the loans were originated within the AA. Approximately 60% by total number were made to borrowers located within the AAs. See the breakdown by number and amount of loans in Table 1 below:

Loan Type	In Assessment Areas				Out of Assessment Areas				Totals	
	#	% of #	\$\$ (000s)	% of \$\$	#	% of #	\$\$ (000s)	% of \$\$	#	\$
Small Business Loans *	11	58%	4,218	39%	8	42%	6,582	61%	19	10,800
Consumer Loans	23	61%	1,999	44%	15	39%	2,500	56%	38	4,499
<b>Grand Total</b>	<b>34</b>	<b>60%</b>	<b>6,217</b>	<b>41%</b>	<b>23</b>	<b>40%</b>	<b>9,082</b>	<b>59%</b>	<b>57</b>	<b>15,299</b>

Source: Bank records sampled for years 2008, 2009, and year to date 2010 (verified by examiners)

\*Commercial & Industrial U.S. including commercial and industrial secured with real estate

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

Overall, the bank's borrower distribution is reasonable.

#### Small Business Loans

The bank's lending to small businesses is very good. The bank made slightly more loans to small businesses with gross annual revenues less than \$1 million than the percentage of businesses in the MSA AA with revenues less than \$1 million, (See Table 2). All commercial loan requests made in the branches located in the non-MSA AA are processed by the bank's other branches. The bank does not maintain records that

could identify commercial loans originating from the non-MSA AA. For this reason we were unable to identify a sample of small business loans applicable to the non-MSA AA for distribution analysis.

Gross Annual Revenue	#	% of #	\$ (000s)	% of \$ (000s)	Business Data
<= \$1 million	15	79%	2,927	66%	78%
> \$1 million	4	21%	1,484	34%	5%
Revenue unavailable	0	0%	0	0%	17%
Total	19	100%	4,411	100%	100%

Source: Bank records (verified by examiner) and 2010 business demographic

### HMDA Loans

For the non-MSA AA the distribution of HMDA loans to borrowers of various income levels is excellent. NBTS extended far more loans for both the low- and moderate-income borrowers than the percentage of low- and moderate-income families in the non-MSA AA. See Table 3 below.

Borrower Income	# of loan made	% of # of loans made	\$ (000s) of loans made	% of \$ of loans made	% of Families in AA
Low	7	35%	587	35%	12%
Moderate	6	30%	320	20%	14%
Middle	4	20%	469	29%	23%
Upper	3	15%	263	16%	51%
Total	20	100%	1,639	100%	100%

Source: Bank records (verified by examiners) and 2000 U.S. Census

Overall the distribution of HMDA loans within the MSA AA is good among borrowers of different income levels. The bank’s distribution to low-income borrowers is excellent. NBTS’s percentage of number and amount of loans made to low-income borrowers exceeded the percentage of low-income families in the AA. The bank’s level of loans made to moderate-income borrowers is adequate as it is close to the percentage of moderate-income families in the MSA AA. See Table 4 below.

Borrower Income	# of loan made	% of # of loans made	\$ (000s) of loans made	% of \$ of loans made	% of Family in AA
Low	4	22%	380	16%	14%
Moderate	2	12%	247	11%	17%
Middle	4	22%	473	19%	26%
Upper	8	44%	1,275	54%	43%
Total	18	100%	2,375	100%	100%

Source: Bank records (verified by examiners) and 2000 U.S. Census

**Geographic Distribution of Loans**

Overall, the bank’s geographic distribution of loans is adequate. As the bank’s non-MSA AA does not have any low- or moderate-income census tracts a geographic distribution analysis was not performed for the non-MSA AA.

**Small Business Loans**

Overall the bank’s geographic distribution of small business loans is reasonable.

The bank’s small business lending in low-income tracts is excellent with a significantly higher percentage of loans made in low-income tracts than the percentage of businesses located in those tracts. The bank did not make any small business loans in the 1 moderate-income census tract. It is noted that small business lending opportunities are limited in the moderate-income tract with only 4% of the small businesses located in that tract.

<b>Table 5: Geographic Distribution of Small Business Loans – MSA AA</b>			
Tract Income Level	Bank Performance		Demographics
	% of #	% of \$ (000's)	% of Business
Low	11%	19%	7%
Moderate	0%	0%	4%
Middle	68%	65%	69%
Upper	21%	16%	20%
Not Available	0%	0%	0%
Total	100.00%	100.00%	100.00%

Source: Bank records (verified by examiners) and Business GeoDemographics 2010

Our sample of HMDA reportable loans did not have any loans in the low- or moderate-income census tracts in the MSA AA. Please see table 6 below. It should be noted that only one percent of the MSA AA’s owner occupied housing units are located in the low-income census tracts and no owner occupied housing units are located in the moderate-income census tract. Our review of peer mortgage data shows that in 2008 the bank made 13 mortgage loans in the low-income census tracts of the delineated community and had a market share ranking of third. For the most current available peer mortgage data in 2009 the bank made 24 loans in the low-income census tracts of the AA and had a market share ranking of third. Based on the number of loans made in the low-income tracts in 2008 and 2009 and the high peer market share ranking the bank’s geographic distribution of HMDA loans is considered good.

<b>Table 6: Geographic Distribution of HMDA Loans – MSA AA</b>			
Tract Income Level	Bank Performance		Demographics
	% of #	% of \$ (000's)	% of Owner Occupied Housing
Low	0%	0%	1%
Moderate	0%	0%	0%
Middle	67%	59%	70%
Upper	33%	41%	29%
Not Available	0%	0%	0%
Total	100.00%	100.00%	100.00%

**Responses to Complaints**

NBTS has not received any written complaints about its performance in regards to helping meet the credit needs within its AA.

**COMMUNITY DEVELOPMENT TEST**

The bank’s performance under the community development test in the AA is good.

During the evaluation period, the bank established NB&T CDC, LLC, whose purpose is to make investments and grants for public welfare and community development purposes to primarily benefit low and moderate income persons and communities. Investment funds will be placed in a qualified community development and all grants will be made to organizations engaged in “community development” as defined in the CRA.

During the evaluation period, the bank invested \$250 thousand in capital contributions to NB&T CDC, LLC. While NB&T CDC, LLC provided \$400,000 to the Community Cares Clinic, LLC, which predominately serves the low to moderate income community in meeting their health care needs.

Together, qualified investments and loans totaled \$3.6 million or 6% of Tier 1 Capital.

The loans provide organizations the ability to serve individuals within the community whom are low- or moderate-income individuals. The following are examples of the loans originated during this evaluation period:

- Three loans totaling \$140 thousand to an organization which provides services to victims of domestic violence including intervention and medical advocacy for victims of domestic and sexual violence. The organization also provides short and long term housing for victims and their children, counseling, legal advocacy, children’s services, and community education. The primary purpose of the

organization is to provide these services to individuals and families whom are low- or moderate-income. The inability to pay for services does not preclude a person or family from receiving the organization's services.

- The bank originated \$2.9 million in loans to six different companies which own and manage rental housing units located in low- and moderate-income census tracts. The rent for these housing units is kept affordable for low- and moderate-income persons and includes Section 8 housing.

Retail services are reasonably accessible to all individuals throughout the bank's delineated community. Services are available at all locations, with the exception of their Farm Department which is located within the DeKalb County Farm Bureau and does not accept deposits. Three of the 18 ATMs are located in low-income census tracts. In addition, the bank offers 24 hour, 7 days a week access to customer account information through an automated telephone service and internet banking products. The bank also offers free checking to senior citizens. These accounts do not charge a monthly maintenance fee, along with no minimum balance requirements and an annual complimentary box of checks.

NBTS provides an adequate level of community development services by working with many community organizations. These community development organizations provide needed services to families or individuals whom are low- or moderate-income households. Bank staff is involved with organizations that assist neglected children from low- or moderate-income families. Other organizations provide health care, food pantries, shelter, clothing and other services to homeless men, women, and children. Employees serve in various capacities in these organizations, such as serving on the board or financial committees.

### **Responsiveness to Community Development Needs**

Given the community needs as described by the community contact, the bank does a good job of responding to community development needs. Community loans which help low to moderate income areas and individuals were about 6% of capital. In addition, to the employees participating by sharing their banking knowledge and expertise to various programs and organizations that also play an important role in meeting community needs.

### **Fair Lending or Other Illegal Credit Practices Review**

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