



## **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**October 23, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

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

**230 West State Street  
Sycamore, IL 60178**

**Comptroller of the Currency  
Chicago North  
85 West Algonquin Road Arlington Place, Suite 340  
Arlington Heights, IL 60005**

**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 COMMUNITY REINVESTMENT ACT (CRA) RATING:**

This institution is rated: Satisfactory.

The Community Development Test is rated: Outstanding

The National Bank and Trust Company of Sycamore has a satisfactory record of meeting the community credit needs based on the following:

- The bank's loan-to-deposit ratio is reasonable given its size, financial condition, and assessment area (AA) credit needs.
- The bank's record of lending within its AA is satisfactory. Approximately 70% by total number and 66% by total dollar volume of loans were made to borrowers located within the bank's AA.
- Distribution of loans to businesses of various income levels is satisfactory. Distribution of consumer loans to borrowers of various income levels is reasonable, but consumer loans to low-income households needs improvement. Distribution of loans to moderate-income individuals is good.
- Geographic distribution of commercial loans, the bank's primary loan product, is good. Although opportunities are limited, geographic distribution of consumer loans needs improvement as the bank has not extended consumer loans in the low-income geographies.
- There have been no CRA consumer complaints against the bank.
- Community development loan volume and qualified investment volume is excellent at approximately 19% of Tier 1 Capital. Community development loans and investments respond to the AA needs.
- Retail services are accessible to individuals of various income levels within the bank's assessment area. Three of the bank's 14 Automated Teller Machines (ATMs) are located in low-income census tracts.
- Community development services volume is good. A total of 52 bank employees provide knowledge and expertise to 36 community development organizations within the AA. Community development services are responsive to AA needs.

## **SCOPE OF EXAMINATION**

The scope of the CRA examination included an assessment of the bank's primary loan types, commercial and consumer loans that originated or were purchased during the evaluation period, the years of 2004 and 2005. We also considered community development loans, investments, and services from April 12, 1999 through September 30, 2006.

The bank's current AA includes DeKalb County and portions of LaSalle and Kane Counties. Kane County geographies were added to the bank's AA in May of 2006 and therefore was not used in the analysis

## **DESCRIPTION OF INSTITUTION**

The National Bank and Trust Company of Sycamore (NBTS) is a \$508 million financial institution, and a wholly owned subsidiary of NI Bancshares Corporation. The bank does not have any subsidiaries or affiliates. NI Bancshares Corporation is a one-bank holding company headquartered in Sycamore, Illinois with total assets of \$515 million as of December 31, 2005.

NBTS operates seven full service branches. The main office is located in Sycamore, Illinois. NBTS has an additional branch in Sycamore, two in DeKalb, and one each in Genoa, Leland, and Serena, all in Illinois. In addition, the bank's farm department is located in the DeKalb County Farm Bureau in Sycamore. Corporate changes since the last public evaluation dated August, 1999 include the addition of four branches; the Genoa location opened in November of 2003 and the acquisition of the downtown DeKalb, Leland, and Serena branches in the year 2004. The bank has fourteen ATMs; one at the main bank in Sycamore, one at each branch in Genoa, Serena, Leland, Coltonville, in both DeKalb locations, one each at Brown's County Market parking lot in Sycamore and Genoa, one at Hickey's Corner Store in DeKalb and Malta, one at Casey's General Store in DeKalb, one at the NIU Holmes Student Center in DeKalb and one at NIU's Barsema Hall. All of the bank's offices and ATMs are located within its AA.

During the evaluation period, the bank's lending consisted primarily of commercial loans including real estate and consumer loans. NBTS's primary objective is community banking, offering a variety of product and services to commercial and individual consumers. As of June 30, 2006, NBTS reported total outstanding loans of approximately \$375 million and a net loan to average assets ratio of 73.46%. The bank's total deposits equal approximately \$438 million and represent 86.48% of average assets. Tier 1 capital is reported at \$55 million. The gross loan portfolio consists of the following:

<b>Loan Mix (\$)</b>	<b>Dollar Amt</b>	<b>% of Avg Gross Loans</b>
Commercial Loans (includes real estate (RE), construction, land development)	216,532	57%
Consumer Loans	76,956	21%
Residential 1-4 Family	36,548	10%
Agriculture (including RE)	35,738	10%
Obligations of states and political sub & other loans	9,395	2%
<b>Gross Loans &amp; Leases</b>	<b>375,169</b>	<b>100%</b>

There are no legal, financial, or other factors that would hinder the bank's ability to help meet the credit needs in its AA. NBTS received a "Satisfactory" rating at its prior CRA examination performed as of April 12, 1999.

#### **DESCRIPTON OF ASSESSMENT AREA**

NBTS's AA is comprised of a small portion of the Chicago Metropolitan Statistical Area (MSA) including all of DeKalb County. The AA also includes 4 census tracts (middle and upper geographies) in LaSalle County which is considered a non-MSA. The AA for this evaluation contains a total of 25 census tracts located in northern Illinois. The area is contiguous and contains whole census tracts.

Of the 25 census tracts, 21 are located in DeKalb County, and 4 are in LaSalle County. The bank's AA does not arbitrarily exclude any low- or moderate- income areas. It is comprised of all income tract levels including 2 low-income, 1 moderate-income, 18 middle-income, and 4 upper-income tracts. Six of NBTS's offices are located in middle-income tracts and 2 are in upper-income tracts. Three of the bank's 14 ATMs are located in low-income tracts. The following table summarizes the income levels of census tracts and families by counties within the bank's AA.

<b>Income Distribution of Census Tracts and Families</b>												
<b>County</b>	<b>Census Tracts (# and %)</b>								<b>Percentage of Families in each income category</b>			
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
<b>Chicago MSA</b>												
DeKalb	2	10%	1	5%	17	80%	1	5%	18%	20%	28%	34%
LaSalle	0	0%	0	0%	1	25%	3	75%	11%	13%	22%	54%

Source: 2000 US Census data

The local economy is considered stable. The housing market is slowing down but overall remains good. Per the 2005 Census Bureau Population Estimates for Illinois, DeKalb County is listed as one of the 10 fastest growing Illinois Counties between 2004 and 2005, ranking number six with a 2.5% increase in populations. The following table summarizes demographics for the bank's AA:

	<b>DeKalb County</b>	<b>LaSalle County</b>
Total Individuals	88,969	24,656
Total Families	20,190	6,372
Total Households	31,669	8,283
Median Family Income	57,630	55,498
Total Housing Units	32,988	8,937
Owner Occupied Units	18,878	6,748
Median Housing Price	134,611	120,438

Source: 2000 US Census data

As of September 2006, DeKalb's unemployment rate of 3.5% was lower than the State of Illinois unemployment rate of 4.1% and the nation's rate of 4.4%. In comparison, LaSalle County's employment rate at 4.5% was higher than both the state's and nation's rate.

Competition within the bank's AA is strong. Including NBTS, there are 72 financial institutions serving the bank's AA. Old Second National Bank is the leader, holding 9% of the deposit market share. NBTS ranks seventh, holding 4% of the market shares of deposits.

We conducted one community contact during our examination that is located within the bank's AA. The economic development organization indicated opportunities for local financial institutions include providing financing to small businesses and participating in chamber, municipal, and commercial activities.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

## Loan to deposit ratio

NBTS's quarterly average loan-to-deposit ratio is satisfactory given the bank's size, financial condition, and AA credit needs. The bank's quarterly loan-to-deposit ratio averaged 76% over 29 quarters from June 30, 1999 to June 30, 2006. The quarterly average loan-to-deposit ratios for three other community banks of similar size range from 72% to 79%. The three similar peer banks have total assets ranging from \$400 - \$942 million.

## Loans in Assessment Area

The majority of the bank's loans are originated within the AA. Our analysis was performed by analyzing a total of 40 loans including 20 small business loans and 20 consumer loans that originated during the evaluation period (the years of 2004 and 2005).

The bank's record of lending within its AA is satisfactory. Approximately 70% by total number and 66% by total dollar volume of loans were made to borrowers located within the bank's AA.

TOTAL LOANS REVIEWED (\$000s)										
Loan Type	In Assessment Areas				Out of Assessment Areas				Totals	
	#	% of #	\$\$ (000s)	% of \$\$	#	% of #	\$\$ (000s)	% of \$\$	#	\$
Small Business Loans (1)	15	75%	1,703	66%	5	25%	880	34%	20	2,583
Consumer Loans (2)	13	65%	230	69%	7	35%	102	31%	20	332
<b>GRAND TOTAL</b>	<b>28</b>	<b>70%</b>	<b>1,933</b>	<b>66%</b>	<b>12</b>	<b>30.00%</b>	<b>982</b>	<b>34%</b>	<b>40</b>	<b>2,915</b>

Source: Bank records in years 2004 and 2005 (verified by examiners)

- (1) Includes commercial real estate
- (2) Represents primarily auto/truck loans

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

Borrower distribution is satisfactory, with the bank making loans to borrowers at all income levels. Below highlights lending areas assessed:

### Small Business Loans

Distribution of loans to businesses of various income levels is satisfactory. The bank's lending by number and dollar volume of loans is reasonable.

Borrower Distribution of Small Business Loans					
Gross Annual Revenue	# of loans made	% of # of loans made	\$ (000s) of loans made	% of \$ of loans made	Business Data
> \$ 1 million	7	37%	1,245	34%	6%
<b>Total</b>	<b>19</b>	<b>100%</b>	<b>3,612</b>	<b>100%</b>	<b>*26% had no revenue reported</b>

Source: Bank records (verified by examiners) and 2005 business geodemographics. One loan did not have revenue information available and as such, the sample is based upon 19 loans.

### Consumer Loans

Distribution of consumer loans to borrowers of various income levels is reasonable, but consumer loans to low-income households needs improvement. The challenge facing the bank is that approximately eleven percent of the households in the AA live below the poverty level making it difficult to qualify for a loan.

Distribution of loans to moderate-income individuals is good, exceeding demographics by both number and dollar volume.

Borrower Distribution of Consumer Loans					
Borrower Income	# of loans made	% of # of loans made	\$ (000s) of loans made	% of \$ of loans made	% of Households in AA
Low	1	5%	5	1%	24%
Moderate	4	20%	61	18%	17%
Middle	8	40%	124	36%	20%
Upper	7	35%	157	45%	39%
<b>Total</b>	<b>20</b>	<b>100%</b>	<b>347</b>	<b>100%</b>	<b>100%</b>

Source: Bank records (verified by examiners) and 2000 US Census

### **Geographic distribution**

Geographic distribution is reasonable.

Geographic distribution of commercial loans, the bank's primary loan product, is good, meeting demographics by number and exceeding demographics by dollar volume in low-income geographies.

<b>Geographic Distribution of Small Business Loans</b>
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Tract Income Level			
	% of # of loans made	% of dollars extended	% of Business
Low	5%	7%	5%
Moderate	0%	0%	0%
Middle	95%	93%	75%
Upper	0%	0%	20%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Bank records (verified by examiners) and 2005 Business Geodemographic Data

Although opportunities are limited, geographic distribution of consumer loans needs improvement as the bank has not extended consumer loans in the low-income geographies. It is important to note that approximately 49% of the households in low-income tracts are below poverty level, making it difficult for those households to qualify for loans.

Geographic Distribution of Consumer Loans			
Tract Income Level			
	% of # of loans made	% of \$ of loans made	% of Households
Low	0%	0%	11%
Moderate	0%	0%	0%
Middle	85%	83%	68%
Upper	15%	17%	21%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Bank records (verified by examiners) and 2000 US Census

## Responses to Complaints

The NBTS has not received any written complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

## Community Development Test

During the evaluation period, NBTS generated qualified donations and loans that positively contribute to their CRA performance. Together, qualified investments and loans total \$10.8 million or 19.63% of Tier 1 capital.

NBTS provides community development lending. The bank made the following loans totaling \$10.6 million, representing 19.38% of Tier 1 Capital.

- Five loans totaling \$899 thousand to a non-profit organization that provides comprehensive and specialized services to adults and children of domestic violence. Approximately 99% of the clients are low-income individuals. The

funds were used to support working capital needs and purchase properties to be used for transactional housing for domestic violence victims.

- One revolving line of credit in the amount of \$200 thousand was extended to a non-profit organization to support working capital needs. Total advances during the evaluation period equal over \$6 million. The organizations primary focus is to strengthen families, provide financial links to low-income individuals, and provide free financial education and asset building opportunities for welfare recipients and low- to moderate-income workers.
- Ten loans were extended to an entity which purchases and rehabs homes. All real estate is located in low-income tracts. The housing is considered affordable housing for college students of Northern Illinois University. Current balance on the loans is \$3 million.
- One loan totaling \$6 million was used for revitalizing a low-income tract by building a housing development.

The bank provides a reasonable level of community development donations. During the evaluation period, NBTS donated \$138 thousand to 18 qualifying community development organizations.

Retail services are accessible to individuals of different income levels. Services are available at all bank locations. Two of the bank's twelve ATMs are located in low-income tracts. Services that the bank provides are detailed below.

- Fourteen 24 hour ATMs with one at each of the seven branch locations and various other locations. ATMs are located in different income tracts with 3 in low-income census tracts.
- NBTS offers 24-hour, 7 days per week access to customer account information through an automated telephone system and a personal computer banking product. Customers can access their account information, place a stop payment, transfer funds between accounts, request a faxed copy of bank statements, make payments on bank loans, order checks, pay bills to third parties, and check bank locations and hours.
- The bank offers free checking to senior citizens. These accounts have no monthly maintenance fee, no minimum balance requirement, and each customer receives one complimentary box of checks per year.
- NBTS offers a unique combination of products and services called "bringing the communities together" which allows customers to inexpensively provide funds to family members across borders quickly and easily. It includes a new checking account with no minimum balance requirement and an intermediary

savings account with an ATM card that may be sent to a family member to access funds.

NBTS provides a good level of community development services, working with many community organizations in various capacities. In total, 52 bank officers and employees provide assistance, using their banking knowledge, to 36 community development organizations serving the AA. These organizations address the AA needs for affordable housing, business development, economic development, and social services to low- and moderate-income individuals. Some of the services provided include:

- Three bank employees donate their time to a nonprofit affordable housing organization, as a board member, volunteer, and legal advisor. This organization provides opportunities for home ownership to families and individuals.
- Two employees serve as a board member and volunteer, providing financial advice for a homeless shelter.
- One employee volunteers his time to an organization whose purpose is to assist adult and children victims of violence providing transitional housing to low-income individuals.

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

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