



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

August 15, 2007

### 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 North  
85 West Algonquin Road Arlington Pl. II, 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 Outstanding.**

**The Lending Test is rated: Outstanding  
The Community Development Test is rated: Satisfactory.**

The major factors that support the Stillman BancCorp's rating include:

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition and the assessment area credit needs.
- A majority of loans are in the bank's assessment area.
- The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes.
- The bank's community development performance demonstrates good responsiveness to the community development needs of its assessment area.

## **Scope of Examination**

Based on the percentage of the number and dollar amount of loans originated during the evaluation period, we determined the primary loans types to be home mortgages, small loans to businesses and small loans to farms. We based our analysis on all of these loans originated or purchased from March 1, 2004, the date of the last CRA examination, through August 27, 2007, the date of the current examination. We also considered community development loans, investments and services for the same time period.

## **Description of Institution**

Stillman BancCorp, NA (SBNA) is a wholly owned subsidiary of Stillman BancCorp, Incorporated, a one bank holding company. SBNA is headquartered in Stillman Valley, Illinois, approximately 15 miles southwest of Rockford. The main branch is located in Stillman Valley with other full service branches located in Byron, Oregon, Rochelle, Rockford and Roscoe. The bank added the Roscoe location in 2006 to meet the needs of the customers located in the Roscoe market. Each office has a 24-hour accessible Automated Teller Machine (ATM). All branch locations, except for the Roscoe location, have deposit accepting ATMs. The bank also has six additional ATMs at local businesses which only dispense cash.

As of June 30, 2007, SBNA had total assets of \$292 million, net income of \$1.3 million and tier one capital of \$33.3 million. Loans represent 55 percent of average assets. Commercial and commercial real estate lending represent 55 percent, residential real estate lending represents 27 percent, agricultural loans represent 14 percent and

consumer lending represents 4 percent of average gross loans.

The bank offers numerous loan products including: commercial, commercial real estate, consumer, home improvement, home equity lines of credit, agricultural and various home purchase products. However, the bank's lending efforts are largely concentrated in commercial, commercial real estate, residential and agricultural lending.

There are no financial circumstances, legal constraints or other factors that would hinder SBNA's ability to meet the credit needs of the community. This evaluation considers the bank's performance since the last examination dated March 1, 2004, at which the bank received an "Outstanding" rating.

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

SBNA has two assessment areas (AA) in the state of Illinois. The bank designated all of Boone County and portions of Winnebago County in the Rockford Metropolitan Statistical Area (MSA) and all of Ogle County, which is not in an MSA. At the last examination Boone, Ogle and Winnebago Counties were all part of the Rockford MSA. Since then, the Rockford MSA boundaries were changed and Ogle County is no longer included in the MSA, resulting in the bank now having two AAs. The AAs meet the requirements of the CRA regulation and do not arbitrarily exclude any low- or moderate-income geographies.

### ***Ogle County AA***

The Ogle County AA consists of eleven census tracts. There are no low- or moderate-income geographies, six middle-income geographies (55 percent) and five upper-income geographies (45 percent).

Major towns in the Ogle County AA are Stillman Valley, Rochelle, Oregon and Byron. Based on the 2000 census, the total population of Ogle County was 51,032, the median family income was \$43,531, and there were 14,099 families. Of these, 13 percent are considered low-income, 15 percent are considered moderate-income, 21 percent are considered middle-income and 51 percent are considered upper-income.

The 2000 Census data shows that there are 20,420 housing units in the Ogle County AA. Of these, 70 percent are owner occupied, 24 percent are rental occupied and 6 percent are vacant. The median housing value in the AA is \$105,582.

Based on 2006 business demographic data, there were 2,923 businesses in the Ogle County AA. Of these, 1,913 (65 percent) of the businesses had revenues of less than \$1 million, 115 (4 percent) had revenues greater than \$1 million and 895 (31 percent) did not report revenue information. The majority of the businesses in the AA are small businesses in the services and retail industries, with approximately 81 percent of the businesses having less than fifty employees and 64 percent of the businesses having

one to four employees. SBNA and the school system are major employers. Ogle County's major industries include agriculture, printing, food distribution and processing, implement manufacturing, recreation and tourism. ComEd's nuclear power plant is located south of Byron.

Based on 2006 business demographic data, there were 476 small farms in the Ogle County AA. Of these, 465 (98 percent) had revenues less than \$500,000, 7 (1 percent) had revenues greater than \$500,000 and 4 (1 percent) did not report revenues.

### ***Rockford MSA AA***

The Rockford MSA AA consists of 38 census tracts, six in Boone County and 32 in Winnebago County. The bank expanded its AA in 2006 when it opened a branch in Roscoe, IL, resulting in six additional census tracts in Winnebago County. There are no low-income geographies, one moderate-income geography (3 percent), 22 middle-income geographies (58 percent) and 15 upper-income geographies (39 percent).

The major towns in the Rockford MSA AA are Rockford and Roscoe in Winnebago County and Belvidere in Boone County. Based on the 2000 census data, the total population of the Rockford MSA AA was 174,956, the median family income was \$53,128 and there were 48,966 families. Of these, 12 percent are considered low-income, 16 percent are considered moderate-income, 25 percent are considered middle-income and 47 percent are considered upper-income.

The 2000 Census data shows that there are 68,218 housing units in the Rockford MSA AA. Of these, 76 percent are owner occupied, 21 percent are rental occupied and 3 percent are vacant. The median housing value in the AA is \$113,739.

Based on 2006 business demographic data, there were 10,808 businesses in the Rockford MSA AA. Of these, 7,109 (66 percent) of the businesses had revenues of \$1 million or less, 589 (5 percent) had revenues greater than \$1 million and 3,110 (29 percent) did not report revenues. The majority of the businesses in the AA are small businesses in the services and retail industries, with approximately 79 percent having less than fifty employees and 59 percent having one to four employees. Major employers in the Rockford MSA AA are the Rockford School District, Rockford Health Systems, Honeywell, Swedish American Health System and Hamilton Sundstrand.

Competition among financial institutions in the AA is strong. SBNA competes with several large national and regional banks. According to the Federal Deposit Insurance Corporation's June 30, 2006 deposit market share report, SBNA ranks sixth of 29 financial institutions in Ogle, Boone and Winnebago Counties with a deposit market share of 3.4 percent. The top five banks combined account for 65 percent of the deposits in SBNA's AAs.

Community contacts in the AA identified the credit needs as being agricultural loans, small business loans and products to enhance credit histories for those who do not have one.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The Lending Test is rated Outstanding.

#### Loan-to-Deposit Ratio

SBNA's loan to deposit ratio (LTD) is more than reasonable, given its size, location, community characteristics and mix of products and services. It reflects good responsiveness to the credit needs of the community. The quarterly average LTD ratio since the last CRA evaluation is 67 percent. The most current loan-to-deposit ratio (June 30, 2007) was also 67 percent. The LTD ratio for other similarly situated financial institutions located within the AAs ranges from 56 percent to 103 percent, with an average of 77 percent. However, the bank's LTD ratio does not reflect the significant volume of mortgage loans that are originated and subsequently sold on the secondary market. Since the last examination, SBNA has originated and sold 1,752 mortgage loans totaling \$199 million to the secondary market. Adjusting for these loans, the LTD would significantly increase. As of June 30, 2007, the bank's adjusted LTD would be 147 percent.

#### Lending in Assessment Area

SBNA originated a substantial majority of its loans within its defined AA. Approximately 72 percent by number and 71 percent by dollar volume of loans were originated to borrowers in the AA. See the breakdown by product in Table 1.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home	821	69%	366	31%	1,187	90,357	68%	41,599	32%	131,956
Small Business	539	68%	259	32%	798	66,595	70%	28,877	30%	95,472
Small Farm	410	87%	59	13%	469	28,457	82%	6,407	18%	34,864
Totals	1,770	72%	684	28%	2,454	185,409	71%	76,883	29%	262,292

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

Lending to borrowers of different incomes and businesses and farms of different sizes is excellent. The bank's record of extending credit to individuals of different income levels reflects excellent lending to low- and moderate-income borrowers in both the Ogle County AA and the Rockford MSA AA. The bank's record of lending to small businesses

and small farms also reflects an excellent level of lending to businesses and farms of different sizes in both AAs.

**Home Mortgage Lending**

Borrower distribution of home mortgage loans is excellent when compared to the income distribution of families in both AAs. The percentage of loans to low-income borrowers is below the percentage of low-income families living in the AAs. This is mitigated by the fact that five percent of the families in the Rockford AA and seven percent of the families in the Ogle County AA live below the poverty level. The opportunity to extend home mortgage credit to low-income borrowers is minimal as they have a very limited ability to assume mortgage debt obligations. The percentage of home mortgage loans exceeds the percentage of moderate-income families in both AAs. See Table 2 and 2A for the breakdown of mortgage loan types in each AA.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Ogle County AA</b>								
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 Loans	12.63%	6.85%	14.58%	19.18%	21.99%	34.93%	50.80%	39.04%
Home Improvement	12.63%	6.25%	14.58%	26.25%	21.99%	21.25%	50.80%	46.25%
Home Mortgage Refinance	12.63%	4.11%	14.58%	15.98%	21.99%	26.03%	50.80%	53.88%

<b>Table 2A - Borrower Distribution of Residential Real Estate Loans in Rockford AA</b>								
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 Loans	12.25%	7.19%	15.81%	20.36%	24.60%	29.94%	47.33%	42.51%
Home Improvement	12.25%	0.0%	15.81%	20.83%	24.60%	12.50%	47.33%	66.67%
Home Mortgage Refinance	12.25%	4.88%	15.81%	19.51%	24.60%	28.05%	47.33%	47.56%

**Loans to Small Businesses**

Lending to businesses of different sizes is excellent. SBNA’s lending to businesses with gross annual revenues of \$1 million or less equaled the percentage of businesses with gross annual revenues of \$1 million or less in the Ogle County AA and slightly exceeded the percentage of businesses with annual revenues of \$1 million or less in the Rockford MSA AA. See Table 2B.

Table 2B – Bank Lending to Businesses with Revenues of \$1 Million or Less		
Assessment Area	% of Businesses	% of Bank Loans
Ogle County AA	65.45%	65.26%
Rockford MSA AA	65.65%	67.97%

**Loans to Small Farms**

Lending to farms of different sizes is excellent. SBNA’s lending to farms with gross annual revenues of \$500,000 or less exceeded the percentage of farms in each AA with gross annual revenues of \$500,000 or less.

Table 2B – Bank Lending to Farms with Revenues of \$500,000 or less		
Assessment Area	% of Farms	% of Bank Loans
Ogle County AA	97.69%	98.06%
Rockford MSA AA	91.84%	94.00%

**Geographic Distribution of Loans**

There are no low-income geographies and only one moderate-income geography within the bank’s two AAs. Therefore, an assessment of the geographic distribution of loans would not be meaningful.

**Responses to Complaints**

Stillman BancCorp, N.A. did not receive any written complaints regarding its performance in helping to meet the credit needs in its assessment area during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The Community Development Test is rated: Satisfactory

### **Number and Amount of Community Development Loans**

The bank made Small Business Administration loans to small businesses during the evaluation period that had a community development purpose. However, these loans were less than \$1 million and were evaluated as small loans to businesses rather than as community development loans.

### **Number and Amount of Qualified Investments**

SBNA's investment activities enhance credit availability in its AAs. The bank provides investments to the community primarily through cash contributions and sponsorships.

SBNA made two investments to localities within its AAs totaling \$62,000 during the evaluation period. The funds were used by the localities to improve economic development within the communities.

The bank also donated more than \$71,000 to over 30 organizations with a community development purpose since the last examination. These contributions and sponsorships support organizations with a community development purpose, such as hospices, food pantries, clothing drives, medical care scholarship programs and economic and business development programs.

### **Extent to Which the Bank Provides Community Development Services**

SBNA's offices and services are accessible to individuals of different income levels in both AAs. The bank operates six full-service branch locations, four in the Ogle County AA and two in the Rockford MSA AA. All branches are located in either middle- or upper-income census tracts, as there is only one moderate-income census tract located in the Rockford MSA AA. All branches are accessible to low- and moderate-income borrowers since these families live throughout the AAs. SBNA's products and services are available at all of its locations. The bank's hours are tailored to the needs of the surrounding areas.

SBNA's alternative delivery system make services more accessible. All branch locations have 24-hour ATM access. The bank also has six additional ATMs in various locations, such as stores and gas stations within both AAs. The bank also offers free 24-hour banking service and online banking opportunities. Through these alternative delivery systems, customers are able to obtain deposit account information, transfer funds between existing deposit accounts and make loan payments. The bank also provides credit counseling for troubled borrowers and the bank is an agent for selling state license stickers.



A number of SBNA's officers serve on the Boards and Committees of several economic and business development corporations. These development corporations provide a wide range of support for the community within the bank's AA including:

- Providing technical assistance to small businesses on financial matters;
- Marketing the Rockford area in efforts to attract and retain businesses to encourage a greater pool of quality jobs;
- Administering and recommending development incentives to attract new industry in addition to encouraging support for existing businesses;
- Promoting revitalization and providing educational programs to the community, that address financial health by collaborating with local professional through volunteer opportunities;
- Providing budgetary and financial management services;
- Coordinating participation of local financial institutions in providing financing to new and existing businesses in order to promote small business development and retention.

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

The bank's responsiveness to community development needs is excellent. As a result of identified community credit needs, the bank offers a Down Payment Plus Program. This program promotes affordable housing. Low- and moderate-income borrowers whose total annual household income is 80 percent or less of the area median income are eligible for up to \$5,000 in grant assistance for the acquisition, construction, or rehabilitation of an owner occupied one or two family dwelling. SBNA requires the borrowers to complete a home buyer counseling program. From 2005 through 2007, the bank originated \$1,494,940 of loans in this program.

### **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.