



SMALL BANK

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

PUBLIC DISCLOSURE

October 26, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bluestem National Bank
Charter Number 14417**

**104 East Locust Street
Fairbury, IL 61739**

**Comptroller of the Currency
North Central Illinois & Eastern Iowa
111 West Washington Street Suite 300
East Peoria, IL 61611**

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 bank’s record of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable.
- The number and dollar volume of loans originated to small farms and small business within the Assessment Area (AA) satisfactorily demonstrates the bank’s commitment to the community.

DESCRIPTION OF INSTITUTION

- Bluestem National Bank (BNB) is located in Fairbury, Illinois, in Livingston County. It is located approximately 35 miles northeast of Bloomington, IL. The bank has three offices, two in Fairbury and one in nearby Forrest. It has two Automated Teller Machines in Fairbury.
- The bank’s asset size is \$80 million.
- The bank is a subsidiary of Bluestem Financial Corp. The holding company also owns Bluestem Financial Services, Inc., a limited service brokerage company.
- There has been no significant expansion of the bank during the evaluation period which would affect the scope of this examination.
- Loans represent 29 percent of total assets. The loan portfolio consists of the following types of loans, consistent with the bank’s strategy:

Residential Real Estate	31%
Commercial Credit	9%
Consumer Credit	12%
Commercial Real Estate	14%
Agricultural Production	12%
Farmland	22%
	100%

Source: Bank Call Report Data

- BNB offers traditional community banking services, including commercial, agricultural and consumer loans and deposit products, farm management and asset management (estates, trusts, personal agencies).
- There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its Assessment Area (AA).
- The date of the last CRA examination was June 7, 1999, and its rating was “Satisfactory”.

DESCRIPTION OF BNB ASSESSMENT AREA

- The bank’s AA includes the following Block Numbering Areas (BNAs) in Livingston

County:

	BNA	%
Middle-income	9609	33%
Upper-income	9608 and 9610	67%
Total #	3	100%

There are no low- or moderate-income BNAs in the AA.

- According to 1990 Census data, the population of the AA is 10,676. The weighted average of HUD Updated MSA Family Income is \$44,900. Potential borrowers earning less than 50 percent of the non-MSA statewide median family income are designated as low-income; those earning 51-80 percent are moderate-income; those earning 81-120 percent are middle-income and those earning more than 120 percent are upper-income. Within the AA, 12 percent of families are low-income; 15 percent are moderate income; 23 percent are middle-income, and 50 percent are upper-income.
- There are 4,261 housing units in the AA, of which 70 percent are owner-occupied, 24 percent are rentals and six percent are vacant. The median age of homes in the AA is 54 years, while the median housing price is \$84,677.
- Major employers in the area include Dave's Supermarket, PTC Alliance and Fairview Haven Nursing Home. The condition of the local economy is good.
- The AA meets the requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income areas.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- The loan-to-deposit ratio is 34 percent, and fails to meet the standard for satisfactory performance.
- BNB's average loan-to-deposit ratio for the last 10 quarters of 36 percent compares unfavorably to banks in the AA and to the bank's peer group. The June 30, 2004, ratio of 34 percent compares unfavorably with other Livingston County banks, where the loan-to-deposit ratio ranges from 55 percent to 102 percent, with an average of 74 percent.

Lending in Assessment Area

- A significant majority of the bank’s loans, by dollar volume and number, are to borrowers within the bank’s AA. This exceeds the standard for satisfactory performance.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential R/E	151	85%	26	15%	177	10,175,026	84%	1,916,507	16%	12,091,533
Agricultural Loans	716	90%	83	10%	799	6,357,379	52%	5,797,754	48%	12,155,133
Commercial Loans	579	95%	34	5%	613	15,873,880	82%	3,590,219	18%	19,464,099
Totals	1,446	91%	14	9%	1,589	32,406,285	74%	11,304,480	26%	43,710,765

Source: Bank MIS.

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

The bank’s performance under this criterion meets the standard for satisfactory performance. BNB originates commercial and agricultural loans for working capital, equipment and inventory; and agricultural production, and loans on commercial and farm real estate. In addition to providing real estate financing for individuals across all income ranges, the bank originates small dollar personal loans.

The bank serves borrowers of all income groups. Using loan size as a proxy, we determined the bank makes a significant volume of loans to small businesses and small farms, and to low- and moderate-income individuals.

Loans to Commercial Borrowers				
Loan Size	Number	%	Dollars	%
< \$10,000	278	45%	1,369,554	7%
\$10 – 20,000	149	24%	1,999,856	10%
\$20 – 50,000	98	16%	2,620,829	14%
\$50 - 100,000	39	6%	2,531,643	13%
\$100 – 250,000	40	7%	5,658,785	29%
> \$250,000	9	2%	5,273,532	27%
Total Loans	613	100%	19,464,099	100%

Loans to Agricultural Borrowers				
Loan Size	Number	%	Dollars	%
< \$10,000	179	22%	829,103	3%

\$10 – 20,000	186	23%	2,470,248	8%
\$20 – 50,000	224	28%	6,759,886	22%
\$50 - 100,000	140	18%	9,410,872	31%
\$100 – 250,000	61	8%	7,461,753	24%
> \$250,000	9	1%	3,720,319	12%
Total Loans	799	100%	30,652,181	100%

Loans Secured by Residential Real Estate				
Loan Size	Number	%	Dollars	%
< \$10,000	4	2%	28,860	<1%
\$10 – 20,000	22	13%	366,450	3%
\$20 – 50,000	64	36%	2,293,265	19%
\$50 - 100,000	61	35%	4,359,979	35%
\$100 – 250,000	22	12%	3,225,123	27%
> \$250,000	4	2%	1,900,456	16%
Total Loans	177	100%	12,155,133	100%

Source of charts – Bank MIS

Geographic Distribution of Loans

As there are no low- or moderate-income BNAs in the AA, analysis of the geographic distribution of the portfolio is not meaningful.

Responses to Complaints

BNB has not received any complaints about its performance in helping to meet AA credit needs.

Fair Lending Review

The bank has not violated any substantive provisions of the anti-discrimination laws and regulations.