

# **INTERMEDIATE SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**February 01, 2006**

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

**Crystal Lake Bank & Trust Company, National Association  
Charter Number 23574**

**70 North Williams Street  
Crystal Lake, IL 60014**

**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 CRA RATING: This institution is rated Satisfactory.**

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Crystal Lake Bank and Trust has a satisfactory record of meeting community credit needs based on the following:

- The loan-to-deposit ratio is good with a quarterly average ratio of 80% since March 2000.
- The level of lending within the assessment area is good with a majority of loans being extended in the bank's assessment area.
- The level of lending to borrowers of different incomes and to businesses of different sizes is excellent.
- The number and amount of community development loans and qualified investments are satisfactory.
- The extent to which the bank provides community development services is satisfactory.
- The bank's responsiveness, through community development activities, to community development lending, investment, and services needs is satisfactory.
- There was no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## **SCOPE OF EXAMINATION**

This Community Reinvestment Act (CRA) examination covers the bank's performance from January 1, 2000 through September 30, 2005. The bank was established in December 1997 and had its first CRA examination in December 1999 at which time its CRA performance was rated "Satisfactory". As of December 31, 2005, the bank's gross loans (\$326 million) represented approximately 66% of the bank's total assets. Our review focused mainly on commercial loans as this is the bank's primary area of lending as well as an identified community credit need. The specific lending products reviewed and analyzed during this examination were commercial loans, real estate loans, and home equity lines of credit. No affiliate lending was reviewed during this examination.

A data integrity review was conducted in June 2004 to ascertain the accuracy of the bank's loan information. During this review we sampled 60 small business loans, 60 residential real estate loans and 60 home equity lines of credit. The review found that the loan data was accurate and reliable for our analysis.

## **DESCRIPTION OF INSTITUTION**

Crystal Lake Bank & Trust Company, N.A. is a \$500 million (as of December 31, 2005), full service bank, headquartered in Crystal Lake, Illinois, with a loan-to-deposit ratio of 76 %. The bank is wholly owned by Wintrust Financial Corporation, headquartered in Lake Forest, Illinois. Wintrust Financial Corporation is very active in the financial services industry, and owns thirteen banks, a mortgage company, a trust company, an investment company, and an information technology company. None of the affiliate activity was considered in determining the bank's performance.

The bank has three offices and two separate drive up facilities located in the assessment area (AA). All of these offices and drive up facilities have hours tailored to meet the needs of the local community. The main office in downtown Crystal Lake does not have a drive up facility, but there are two separate drive up facilities located within several blocks of the office. The office in McHenry and the office in Cary both have drive up facilities in addition to small bank lobbies. There are five Automated Teller Machines, one at each of the three office locations and one at each of the two drive-up facilities. All of the offices and drive up facilities are located in upper-income tracts with the exception of the office located in McHenry, which is situated in a middle-income census tract.

The bank's lending focus is commercial lending, which represents 60% of the total loan portfolio. The next largest lending category is Insurance Premium loans. These loans are purchased from the holding company; however the bank does not maintain the necessary information to consider them for this CRA evaluation.

The bank does not emphasize residential real estate lending and home equity lending due to the heavy competition from other financial institutions for these customers. Therefore, the bank has made a business decision to lend primarily to homebuilders to construct residential real estate

rather than making loans directly to the consumer. There are 35 other financial institutions in the AA, ranging in size from large multinational banks to small community banks, offering residential real estate loans. Due to this competition the bank closed its mortgage department in June 2005, and moved all mortgage lending to the bank's affiliated mortgage company. However, although the portfolio is small, the bank did an excellent job in lending to low and moderate income families in their AA so we included this analysis in this PE.

#### Composition of the Loan Portfolio as of December 31, 2005

Loan Product	Dollar Amount of Loans (Millions)	Percentage of Portfolio
Commercial Loans	\$194	60%
Insurance Premium Loans	\$61	18%
Home Equity Lines of Credit	\$25	8%
Indirect Auto Loans	\$21	6%
Installment Loans	\$19	6%
Residential Real Estate Loans	\$6	2%
Total	\$326	100%

Crystal Lake Bank & Trust Company N.A. has the resources and financial strength to meet the credit needs of its community. For additional information regarding the bank see the Public File located with the CRA Officer.

## **DESCRIPTION OF THE BANK'S ASSESSMENT AREA**

Crystal Lake Bank & Trust Company's AA consists of 30 of the 47 census tracts in McHenry County, Illinois. The boundaries coincide with the bank's primary service area, which are the villages of Crystal Lake, Prairie Grove, McHenry, Algonquin, Lake in the Hills, Cary, Fox River Grove, Barrington Hills, and Huntley. Of the 47 census tracts in McHenry County, there are no low-income tracts, no moderate-income tracts, 26 middle-income tracts, and 21 upper-income tracts. Within the bank's AA, there are no low-income tracts, no moderate-income tracts, 14 middle-income tracts, and 16 upper-income tracts. The total population of the AA is 170,763 with the median family income at \$76,185. Major industries in the area are manufacturing, 15 %; retail trade, 14 %; education, health and social services, 14 %; financial services, 10 %; and construction, 9 %. Unemployment in the AA is low at 1.8 % compared to the unemployment rate in the State of Illinois at 5.1 %. For more information regarding the AA refer to the bank's Public File.

During the examination we conducted an outreach activity with a local county housing authority. Our discussion with the director of the authority disclosed that there are opportunities in the AA for financial institutions to participate in community developmental projects, and there is an ongoing need for small business loans and home loans. Further discussions disclosed that these needs are being met by the local banks.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit (LTD) ratio is good given the size of the bank, the location and financial condition of the bank, the strong competition in the AA, and the credit needs of the local community. The bank's quarterly average LTD from March 2000 to December 2005 was 80 % with a low of 72 % and a high of 91 % during the time period. This compares favorably to the LTD ratio of the bank's competition, which has averaged 78 % during the same time period.

### **Lending in Assessment Area**

The bank's level of lending within the AA is good based on the bank's business focus and the level of competition from other lenders in the area. A majority, 55 %, of the bank's loans is within the AA.

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

The bank's lending to borrowers of different incomes and to businesses of different sizes is outstanding. Although Crystal Lake Bank & Trust Company faces stiff competition from other financial institutions within the assessment area; the bank's efforts to meet community credit needs and to provide loans to the community are outstanding. Given the demographics of the assessment area, the economics of the area, and the competition from other financial institutions, the performance detailed in the charts below show an outstanding distribution of small business loans, HMDA loans, and home equity lines of credit.

### **Small Loans to Businesses**

The bank's lending to businesses having revenues of \$1 million or less is outstanding. Within the bank's AA, 67.5 % of the businesses have revenues of less than \$1 million. The bank's loans to these small businesses are 75.6 % by number and 75.2% by dollar as illustrated in the table below. Given the demographics of the AA, the economics of the area, and the competition from other financial institutions, the performance detailed in the chart below shows an outstanding distribution of business loans.

### **Distribution of Business Loans By Business Revenue in the AA January 1, 2000 through September 30, 2005.**

Amount of Business Revenue	Revenue <\$1,000,000	Revenue >\$1,000,000	Revenue Not Reported
% of AA Businesses	67.5 %	7.5 %	25 %
% of Bank Loans in AA by #	75.6 %	24.4 %	N/A
% of Bank Loans in AA by \$	75.2 %	24.8 %	N/A

During this time frame, the bank extended 847 of 1121 loans to small businesses and \$204 million of \$272 million to small businesses

The borrower distribution of HMDA reportable loans (home purchase, home improvement, and refinance) is outstanding. The bank's lending to both low-income and moderate-income families far exceeds the demographics.

### **Distribution of HMDA Loans By Borrower Income in the AA January 1, 2000 through September 30, 2005.**

<b>Borrower Income Level</b>	<b># of Loans</b>	<b>% of Loans</b>	<b># of Families</b>	<b>% of Families</b>
<b>Low-Income</b>	39	14.6 %	4,233	9.18%
<b>Moderate-Income</b>	84	31.6 %	6,161	13.37%
<b>Middle-Income</b>	68	25.6 %	11,378	24.69%
<b>Upper-Income</b>	75	28.2 %	24,316	52.76%
<b>Total</b>	266	100 %	46,088	100 %

### **Distribution of HELOC Loans By Borrower Income in the AA January 1, 2003 through September 30, 2005.**

<b>Borrower Income Level</b>	<b># of Loans</b>	<b>% of Loans</b>	<b># of Families</b>	<b>% of Families</b>
<b>Low-Income</b>	35	12.0 %	4,233	9.18%
<b>Moderate-Income</b>	80	27.3 %	6,161	13.37%
<b>Middle-Income</b>	87	29.7 %	11,378	24.69%
<b>Upper-Income</b>	91	31.0 %	24,316	52.76%
<b>Total</b>	293	100 %	46,088	100 %

#### **Geographic Distribution of Loans**

The bank's AA does not contain any low- or moderate-income census tracts; therefore an analysis of the geographic distribution of loans would not be meaningful

#### **Responses to Complaints**

The bank has not received any complaints related to its CRA performance. A review of the

bank's policies and procedures for responding to complaints shows that the system in place for handling complaints is satisfactory.

## **Community Development Loans, Qualified Investments, and Community Development Services**

### **Number and amount of community development loans**

The number and amount of the bank's community development loans are satisfactory based on the opportunities for community development lending in the area, the overall demographics of the area, the economics of the area, and the competition from other financial institutions for these types of loans.

During the examination period the bank made over \$15,730,000 in community development loans. The majority of these loans; \$14,148,000 or 90 %, were for affordable housing. However, only 7.11% or \$1,006, 394 of the \$14,148,000 of loans were made inside of the AA. The remainder \$1,582,000 or 10 %, were loans to organizations that provide services to the low- and moderate-income members of the local community. Through the bank's efforts and assistance, several of the service organizations located in the AA received loans totaling \$463,000 from the Illinois Facilities Fund for permanent financing, after the bank made the initial temporary loan.

The affordable housing loans were made to individuals or companies for the purchase, rehabilitation, or refinance of apartments buildings or houses; targeted primarily for low- and moderate-income individuals, located in low- or moderate-income census tracts, or located in city designated "Empowerment Zones". These loans provided over 565 housing units.

### **Number and amount of qualified investments**

The bank's number and amount of qualified investments and contributions in the AA are satisfactory based on the overall demographics of the area, the economics of the area, and the competition from other financial institutions for these types of investments.

During this examination period the bank invested over \$1,798,000 in mortgage securities consisting solely of residential home mortgages to moderate-income households located in the AA. The bank also invested over \$1,000,000 in a local bond used to finance the construction and equipping of a nursing home and long term care facility operated for the benefit of the aged population of the county who require public assistance in the AA.

The bank's level of donations is satisfactory. From January 2000 through December 2005, the bank donated over \$41,605 to local organizations, foundations, and groups. These organizations, foundations, and groups focus on providing affordable housing, social services, financial counseling, and healthy lifestyle counseling for the low- and moderate-income members.

### **Extent to which the bank provides community development services**

The bank's efforts to provide community development services are satisfactory. The distribution of branches and other facilities that service the small pockets of low- and moderate-income areas and individuals is reasonable. These branches and facilities are located throughout the community and provide services and products to all members of the community.

Bank directors, management, and employees have participated in several workshops, conducted several financial classes, and been speakers on several financial panels that address and focus on issues related to the financial needs of the low- and moderate-income members of the community.

### **Bank's responsiveness, through community development activities, to community development lending, investment, and services needs**

The bank's responsiveness to community development lending, investment, and service needs is satisfactory. The development of community services, and the active participation in community development lending and investing opportunities are a direct result of the involvement of bank directors, management, and employees in community development organizations, foundations, and groups. Examples of the leadership role taken by directors, management, and employees in these organizations, foundations, and groups are; the bank president serves as the Chairman of the Banking Committee of a local community development corporation, a senior lender is the Financial Advisor to a local social services organization, and several of the bank's loan officers are board members/members of the finance committee of local community action groups.

Community organizations with whom the bank is involved include; the Crystal Lake Chamber of Commerce, McHenry Chamber of Commerce, Cary Chamber of Commerce, Downtown Crystal Lake Association, Rotary, and Kiwanis. The bank is also heavily involved with the local Head Start organization, which promotes educational, social, and health initiatives for the children of low- and moderate-income members of the community. The bank is an active participant in Federal Housing Financing Board affordable housing programs, and supports the McHenry County Housing Authority in their efforts to provide affordable housing for the community.

From continuous contact and involvement with these organizations, the bank maintains an understanding of local area community development 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 the credit needs of the community.