



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**June 19, 2006**

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

**The Belvidere National Bank and Trust Company  
Charter Number 14402**

**600 South State Street  
Belvidere, IL 61008**

**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 REIVESTMENT ACT (CRA) RATING**

This institution is rated "Satisfactory."

The following are the primary factors supporting this rating.

- The bank's loan-to-deposit ratio is reasonable given its size, financial condition, and assessment area credit needs.
- A substantial majority of bank's loans by number (91%) and by dollar amount (82%) are made within the bank's assessment area.
- The borrower distribution of loans reflects excellent penetration among individuals at different income levels and businesses and farms of different sizes.
- Geographic distribution is reasonable.
- There have been no CRA Consumer Complaints against the bank.

## **SCOPE OF EXAMINATION**

The CRA examination encompasses agriculture loans, commercial loans, home mortgages and consumer loans that originated or were purchased from January 1, 2004 through March 30, 2006. We also considered community development investments from July 24, 2001 through March 31, 2006.

## DESCRIPTION OF INSTITUTION

The Belvidere National Bank and Trust Company (BNBT) is a community bank with approximately \$235 million in assets as of March 31, 2006. BNBT is a wholly owned subsidiary of Alpine Bancorporation, Inc (ABI) and formally known as Landmark Financial Group, Inc., changing its name in January of 2006. ABI is a multi-bank holding company, owning BNBT and Alpine Bank located in Rockford, Illinois. In the year 2003, the holding company sold its interest in Leland National Bancorp, Inc, located in Leland, Illinois. ABI is headquartered in Belvidere, Illinois and as of March 31, 2006 has total assets of \$717 million.

The bank has five bank locations. Four of the branches are located in Belvidere (in Boone County), and one is located in Kirkland (DeKalb County). One of the branches in Belvidere, the Gateway Center Office, opened for business on October 30, 2005. The main office is located on 600 S. State Street in Belvidere, IL. The Logan Avenue Office has limited services while the other four banks provide full banking services. The bank's main office and branches are all located within the assessment area. Winnebago County is the only portion of the bank's assessment area that does not have a bank location; however the bank does have 12 Automated Teller Machines (ATMs) in this county. Other ATMs are located at all bank locations except the main office in Belvidere. Customers have a total of 22 ATMs available for their use at various locations including four at BNBT locations, ten at local businesses, and eight at Alpine Bank, the bank's affiliate. The majority of the bank's loans are originated or purchased in their assessment area. The opening of Gateway Center Office along with the bank's Subchapter S classification is the only corporate structure changes since the last CRA examination.

As of March 31, 2006, BNBT had approximately \$121 million in outstanding loans with a net loan to average assets of 50.99%. The bank's total deposits equal approximately \$212 million and represent 90.12% of average assets. Tier 1 capital was reported at \$22 million. The gross loan portfolio consists of the following;

| Loan Mix (\$)   | Dollar Amt     | % of Average Gross Loans |
|---|----------------|--------------------------|
| Commercial Loans (includes Comm RE)                   | 41,378         | 34.32%                   |
| AG Loans (real estate & farm production)              | 32,498         | 26.95%                   |
| Consumer Loans (other Jr RE liens, HELC, Auto)        | 23,296         | 19.32%                   |
| Residential Real Estate Loans                         | 21,780         | 18.06%                   |
| Obligations of states and political sub & other loans | 1,622          | 1.35%                    |
| <b>Gross Loans &amp; Leases</b>                       | <b>120,574</b> | <b>100.00%</b>           |

There are no legal, financial, or other factors that would hinder the bank's ability to help meet the credit needs in its assessment area. BNBT received a "Satisfactory" rating at its prior CRA examination performed on July 23, 2001.

## DESCRIPTION OF ASSESSMENT AREA

BNBT has two assessment areas (AAs), consisting of a large portion of the Rockford Metropolitan Statistical Area (MSA) and a small section of the Chicago MSA in the State of Illinois. The bank's AAs are comprised of three metropolitan divisions, Winnebago County and Boone County in the Rockford MSA and DeKalb County in the Chicago MSA. The bank's AAs contain a total of 103 census tracts located in Northern Illinois with 76 census tracts in Winnebago County, 6 census tracts in Boone County, and 21 census tracts in DeKalb County. The area is contiguous, contains 3 whole counties, and is bounded by the Wisconsin state line on the North, Stephenson, Ogle, and Lee Counties on the West, LaSalle County on the South, and McHenry, Kane, and Kendall Counties on the East.

Of the 103 census tracts in the bank's AA, 6 are low-income, 21 are moderate-income, 59 are middle-income and 17 are upper-income census tracts. Boone County does not have any low- or moderate-income tracts. The Department of Housing and Urban Development estimates median family incomes for the year 2006 for the Chicago MSA to be \$72,100 and for the Rockford MSA to be \$63,600. The following table summarizes the income levels of census tracts and families located within the bank's AA:

| Income Distribution of Census Tracts and Families |                         |           |           |            |           |            |           |            |                        |            |            |            |
|---|-------------------------|-----------|-----------|------------|-----------|------------|-----------|------------|------------------------|------------|------------|------------|
| County  | Census Tracts (# and %) |           |           |            |           |            |           |            | Percentage of Families |            |            |            |
|   | Low                     |           | Moderate  |            | Middle    |            | Upper     |            | Low                    | Moderate   | Middle     | Upper      |
| <b>Rockford MSA</b>                               |                         |           |           |            |           |            |           |            |                        |            |            |            |
| Winnebago   | 4                       | 5%        | 20        | 26%        | 37        | 49%        | 15        | 20%        | 19%                    | 19%        | 24%        | 37%        |
| Boone   | 0                       | 0%        | 0         | 0%         | 5         | 83%        | 1         | 17%        | 15%                    | 16%        | 25%        | 44%        |
| <b>Chicago MSA</b>                                |                         |           |           |            |           |            |           |            |                        |            |            |            |
| DeKalb  | 2                       | 10%       | 1         | 5%         | 17        | 81%        | 1         | 5%         | 18%                    | 20%        | 28%        | 34%        |
| <b>Total</b>                                      | <b>6</b>                | <b>6%</b> | <b>21</b> | <b>20%</b> | <b>59</b> | <b>57%</b> | <b>17</b> | <b>17%</b> | <b>18%</b>             | <b>19%</b> | <b>25%</b> | <b>38%</b> |

Source: 2000 US Census data

The local economy is considered strong and growing. Per the U.S. Census Bureau's 2005 Population Estimates for Illinois Counties, two of the counties in the bank's AAs, are listed as one the 10 fastest growing Illinois Counties between 2004 and 2005. Boone County, in the Rockford MSA is, ranked third with a 4.2% increase and DeKalb County, in the Chicago MSA, is sixth with a 2.5% increase. Local housing demand is strong with all three counties reflecting an increase in total population and occupied housing units. The following table summarizes total population and occupied housing units within the bank's AA:

| County | Population |          |           | Total Occupied Housing Units |          |           |
|--------|------------|----------|-----------|------------------------------|----------|-----------|
|        | Year 2005* | % Change | Year 2000 | Year 2004                    | % Change | Year 2000 |
|        |            |          |           |                              |          |           |

| Rockford MSA |         |        |         |  |         |        |         |
|--------------|---------|--------|---------|--|---------|--------|---------|
| Winnebago    | 288,695 | 3.69%  | 278,418 |  | 120,004 | 11.14% | 107,980 |
| Boone        | 50,483  | 20.81% | 41,786  |  | 17,207  | 17.88% | 14,597  |
| Chicago MSA  |         |        |         |  |         |        |         |
| DeKalb       | 97,665  | 9.77%  | 88,969  |  | 35,659  | 12.55% | 31,674  |
| Total        | 339,178 | 5.93%  | 320,204 |  | 137,211 | 11.94% | 122,577 |

Source: US Census data

\*Estimate

In the year 2000, the leading industries in Winnebago County were manufacturing (25%), and educational, health, and social services (18%). For Boone County, leading industries included manufacturing (31%), educational, health, and social services (15%), and retail trade (11%). Major employers in Boone County include Daimler-Chrysler, General Mills, Carpenter Components of IL, and Belvidere School District. For DeKalb County, in the Chicago MSA, leading industries included educational, health, and social services (26%), manufacturing (16%), and retail trade (12%). For the year 2005, both Winnebago and Boone County's unemployment rates at 6.4% and 6.5% respectively, were higher than the State of Illinois unemployment rate of 5.7% and the nation's rate of 5.1%. In comparison, DeKalb County's unemployment rate was 5.3%.

Competition within the bank's AA is strong. Including BNBT, there are 31 financial institutions serving the bank's AA. Amcore Bank is the leader, holding 28% of the deposit market share. Alpine Bancorporation, the bank's holding company, holds approximately 9% of the market shares of deposits, ranking second in its AA with BNBT holding 3% of the market shares of deposits, ranking ninth in the AA.

We conducted three community contacts during our examination that are located within the bank's AA. Contacts indicated that local banks can meet the needs of the community by providing financing to businesses for various needs or to individuals for housing.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan to deposit ratio

Overall, BNBTs 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 61.79% over 25 quarters from March 31, 2000 to March 31, 2006. The quarterly average loan-to-deposit ratios for four other community banks of similar size ranged from 56.23% to 83.38%. The bank's net loan-to-deposit ratio has slowly been decreasing over time due to the strong competition in the bank's AA.

### Loans in Assessment Area

BNBT originates a substantial majority of its loans to borrowers inside its AA. Our analysis was

performed by analyzing a total of 133 loans including 71 home mortgages reported under the Home Mortgage Disclosure Act (HMDA), 21 agriculture loans, 20 commercial loans, and 21 consumer loans that originated during the evaluation period (the years of 2004, 2005, and year-to-date 2006).

The bank's record of lending within its AA is excellent. Approximately 91% by total number and 82% by total dollar volume of loans were made to borrowers located within the bank's AA.

| TOTAL LOANS REVIEWED  |                     |         |             |           |                         |        |             |           |        |        |
|-----------------------|---------------------|---------|-------------|-----------|-------------------------|--------|-------------|-----------|--------|--------|
| Loan Type             | In Assessment Areas |         |             |           | Out of Assessment Areas |        |             |           | Totals |        |
|                       | #                   | % of #  | \$\$ (000s) | % of \$\$ | #                       | % of # | \$\$ (000s) | % of \$\$ | #      | \$     |
| Home Purchase         | 16                  | 94.12%  | 3,825       | 96.54%    | 1                       | 5.88%  | 137         | 3.46%     | 17     | 3,962  |
| Home Improvement      | 32                  | 94.12%  | 539         | 90.13%    | 2                       | 5.88%  | 59          | 9.87%     | 34     | 598    |
| Home Refinance        | 16                  | 80.00%  | 1,886       | 63.80%    | 4                       | 20.00% | 1,070       | 36.20%    | 20     | 2,956  |
| Total HMDA Loans (1)  | 64                  | 90.14%  | 6,250       | 83.16%    | 7                       | 9.86%  | 1,266       | 16.84%    | 71     | 7,516  |
| Agriculture Loans (2) | 18                  | 85.71%  | 2,971       | 67.31%    | 3                       | 14.29% | 1,443       | 32.69%    | 21     | 4,414  |
| Commercial Loans (3)  | 18                  | 90.00%  | 3,276       | 93.44%    | 2                       | 10.00% | 230         | 6.56%     | 20     | 3,506  |
| Consumer Loans (4)    | 21                  | 100.00% | 558         | 100.00%   | -                       | 0.00%  | -           | 0.00%     | 21     | 558    |
| GRAND TOTAL           | 121                 | 90.98%  | 13,055      | 81.62%    | 12                      | 9.02%  | 2,939       | 18.38%    | 133    | 15,994 |

Source: Bank records-loans originated in 2004, 2005 & 2006 (verified by examiners)

(1) Represents loans reported under the Home Mortgage Disclosure Act.

(2) Represents sample of 21 loans, (3) Represents sample of 20 loans, (4) Represents sample of 21 loans.

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

Overall, borrower distribution is excellent, with the bank making loans to borrowers at all income levels. Below highlights the findings for each of the lending areas reviewed.

#### Agriculture Loans:

Distribution of loans to farms with various revenues is reasonable. The number of small farm loans in Winnebago County is excellent, exceeding the farm data. For both Boone and DeKalb Counties, the bank's percentage of loans granted to small farms falls minimally below the farm data. By number, the disparity is minimal and the bank is meeting the needs of the community.

| Borrower Distribution of Agriculture Loans |                               |         |      |                           |         |      |                           |         |      |
|--|-------------------------------|---------|------|---------------------------|---------|------|---------------------------|---------|------|
| Gross Annual                               | Winnebago County-Rockford MSA |         |      | Boone County-Rockford MSA |         |      | DeKalb County-Chicago MSA |         |      |
|  | % of #                        | % of \$ | Farm | % of #                    | % of \$ | Farm | % of #                    | % of \$ | Farm |

| Revenue             |         | (000's) | Data    |         | (000's) | Data    |         | (000's) | Data    |
|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <= \$1 million      | 92.31%  | 96.04%  | 91.43%  | 90.91%  | 68.98%  | 95.34%  | 90.00%  | 63.61%  | 93.04%  |
| > \$1 million       | 0.00%   | 0.00%   | 3.50%   | 9.09%   | 31.02%  | 2.54%   | 10.00%  | 36.39%  | 4.14%   |
| Revenue unavailable | 7.69%   | 3.96%   | 5.07%   | 0.00%   | 0.00%   | 2.12%   | 0.00%   | 0.00%   | 2.82%   |
| Total               | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Source: Bank records (verified by examiners) and U.S. Census Business Demographics Data (2005)

## Business Loans:

Distribution of loans to businesses of various revenue sizes is excellent. The bank's lending by number exceeds community demographics in all counties.

| Borrower Distribution of Commercial Loans |                               |                 |               |                           |                 |               |                           |                 |               |
|---|-------------------------------|-----------------|---------------|---------------------------|-----------------|---------------|---------------------------|-----------------|---------------|
| Gross Annual Revenue                      | Winnebago County-Rockford MSA |                 |               | Boone County-Rockford MSA |                 |               | DeKalb County-Chicago MSA |                 |               |
|   | % of #                        | % of \$ (000's) | Business Data | % of #                    | % of \$ (000's) | Business Data | % of #                    | % of \$ (000's) | Business Data |
| <= \$1 million                            | 95.00%                        | 94.60%          | 67.01%        | 75.00%                    | 70.31%          | 67.93%        | 85.00%                    | 59.40%          | 69.11%        |
| > \$1 million                             | 5.00%                         | 5.40%           | 6.65%         | 25.00%                    | 29.69%          | 5.13%         | 10.00%                    | 39.97%          | 5.92%         |
| Revenue unavailable                       | 0.00%                         | 0.00%           | 26.34%        | 0.00%                     | 0.00%           | 26.94%        | 5.00%                     | 0.63%           | 24.97%        |
| Total                                     | 100.00%                       | 100.00%         | 100.00%       | 100.00%                   | 100.00%         | 100.00%       | 100.00%                   | 100.00%         | 100.00%       |

Source: Bank records (verified by examiners) and U.S. Census Business Demographics Data (2005)

## Home Mortgages:

Distribution of home mortgages to borrowers of various income levels is excellent in all three counties. In Winnebago County, home mortgages to low-income families is below demographics, but far exceeds demographics of moderate income families. In Boone County, the bank extends more loans to low-income families than demographics and mirrors the moderate-income demographics. In DeKalb County, the bank's lending far exceeds the community demographics for low and moderate-income families.

| Borrower Distribution of Home Mortgages |                               |                 |                     |                           |                 |                     |                           |                 |                     |
|---|-------------------------------|-----------------|---------------------|---------------------------|-----------------|---------------------|---------------------------|-----------------|---------------------|
| Borrower Income Levels                  | Winnebago County-Rockford MSA |                 |                     | Boone County-Rockford MSA |                 |                     | DeKalb County-Chicago MSA |                 |                     |
|   | % of #                        | % of \$ (000's) | % of Families in AA | % of #                    | % of \$ (000's) | % of Families in AA | % of #                    | % of \$ (000's) | % of Families in AA |
| Low                                     | 9.10%                         | 0.81%           | 19.08%              | 16.28%                    | 15.73%          | 14.76%              | 50.00%                    | 70.21%          | 17.59%              |
| Moderate                                | 27.27%                        | 7.66%           | 19.24%              | 16.28%                    | 5.19%           | 16.26%              | 50.00%                    | 29.79%          | 20.12%              |
| Middle                                  | 18.18%                        | 2.00%           | 24.25%              | 27.91%                    | 24.04%          | 24.54%              | 0.00%                     | 0.00%           | 28.26%              |
| Upper                                   | 45.45%                        | 89.53%          | 37.43%              | 39.53%                    | 55.04%          | 44.44%              | 0.00%                     | 0.00%           | 34.03%              |
| Total                                   | 100.00%                       | 100.00%         | 100.00%             | 100.00%                   | 100.00%         | 100.00%             | 100.00%                   | 100.00%         | 100.00%             |

Source: Real Estate reported under the Home Disclosure Act (years 2004, 2005, and 2006) and U.S. Census Data (2000)

## Consumer Loans:

Distribution of consumer loans to borrowers of various income levels is reasonable. In Winnebago County, the bank has fewer loans to low-income households as compared to demographics, but exceeds the demographics for moderate-income households. However, nine percent of Winnebago County lives below poverty level making it difficult to qualify for a loan. The bank extended no consumer loans to Boone Counties’ low income households. However, extension of consumer loans to moderate income household is reasonable, although below community demographics. Consumer loans to DeKalb County’s low income households also fall short of community demographics. The bank does extend consumer loans to moderate-income households exceeding the community demographics. When noting that seven percent of Boone and 13% of DeKalb County households live below poverty level, the distribution is reasonable.

| Borrower Distribution of Consumer Loans |                               |                 |                       |                           |                 |                       |                           |                 |                       |
|---|-------------------------------|-----------------|-----------------------|---------------------------|-----------------|-----------------------|---------------------------|-----------------|-----------------------|
| Borrower Income Levels                  | Winnebago County-Rockford MSA |                 |                       | Boone County-Rockford MSA |                 |                       | DeKalb County-Chicago MSA |                 |                       |
|   | % of #                        | % of \$ (000's) | % of Households in AA | % of #                    | % of \$ (000's) | % of Households in AA | % of #                    | % of \$ (000's) | % of Households in AA |
| Low                                     | 19.05%                        | 6.80%           | 31.77%                | 0.00%                     | 0.00%           | 13.12%                | 22.73%                    | 6.42%           | 38.89%                |
| Moderate                                | 19.05%                        | 5.73%           | 16.66%                | 9.52%                     | 4.80%           | 12.44%                | 27.27%                    | 27.01%          | 22.16%                |
| Middle                                  | 38.10%                        | 25.54%          | 17.85%                | 47.62%                    | 55.69%          | 15.79%                | 22.73%                    | 40.45%          | 13.36%                |
| Upper                                   | 23.80%                        | 61.93%          | 33.72%                | 42.86%                    | 39.51%          | 58.65%                | 27.27%                    | 26.12%          | 25.59%                |
| Total                                   | 100.00%                       | 100.00%         | 100.00%               | 100.00%                   | 100.00%         | 100.00%               | 100.00%                   | 100.00%         | 100.00%               |

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

**Geographic distribution**

Overall, the bank’s lending in low- and moderate-income geographies is reasonable.

The bank's AA is comprised of three counties. In Winnebago County, there are 4 low-income and 20 moderate-income geographies. In DeKalb County, there are only 2 low-income and 1 moderate-income geography. In DeKalb County’s low and moderate-income areas, there are only 2% owner occupied homes, 179 small businesses and 3 farms. As such, a geographic distribution analysis of this county would not be meaningful. Boone County has no low or moderate-income geographies and therefore no geographic distribution will be performed. Below highlights the geographic distribution of loans for Winnebago County.

**Geographic Distribution of Loans in Winnebago County**

| Tract Level Income | % of # of Farm Loans | % of Farm Loans | # of Business Loans | % of Business Loans | # Home Mortgages | % of Owner Occupied Units | # Consumer Loans | % of Households |
|--------------------|----------------------|-----------------|---------------------|---------------------|------------------|---------------------------|------------------|-----------------|
| Low                | 0                    | 0.35            | 0                   | 4.91                | 0                | 1.61                      | 0                | 3.99            |
| Moderate           | 15.39                | 9.09            | 10.0                | 19.22               | 13.34            | 17.05                     | 9.52             | 22.04           |
| Middle             | 38.46                | 52.10           | 30.00               | 52.18               | 73.33            | 56.27                     | 38.10            | 53.29           |
| Upper              | 46.15                | 38.46           | 60.00               | 23.69               | 13.33            | 25.07                     | 52.38            | 20.68           |
| Total              | 100.00               | 100.00          | 100.00              | 100.00              | 100.00           | 100.00                    | 100.00           | 100.00          |

Loans to farms is excellent. In Winnebago County, there is little opportunity to lend to farms in low income areas. However, 9% of farms are in moderate income geographies and over 15% of the bank's farm loans were made in the moderate income geographies.

Geographic distribution for commercial loans needs improvement. The bank's lending to businesses in low and moderate income geographies is much less than community demographics. This is a result of a corporate decision to not compete for commercial loans with its sister bank in Winnebago County.

Geographic distribution for home mortgages is reasonable. The bank extended no home mortgages in low-income geographies. However, there is little home lending opportunity with only 1.6% of owner occupied units. In the moderate income geographies, there are 17% owner occupied units. The bank has extended 13% of their home loans in these geographies.

Geographic distribution for consumer loans is reasonable. The bank's lending is below community demographics. However, in low income geographies, 41% are living below poverty and in moderate-income geographies, 18% are living below poverty. This high level of poverty makes it difficult for households to qualify for loans.

### **Responses to Complaints**

The Belvidere National Bank and Trust Company has not received any written complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

### **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.