

PUBLIC DISCLOSURE

12/04/2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Strategic Capital Bank
35175**

**1608 Broadmoor Drive
Champaign, IL 61821**

**Federal Deposit Insurance Corporation
Division of Supervision and Consumer Affairs
Chicago Regional Office
500 West Monroe Street, Suite 3500
Chicago, Illinois 60661**

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.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Strategic Capital Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **12/04/2006**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank has a reasonable distribution of loans to small businesses of various sizes.

The distribution of loans by census tract income level for small business loans is adequate.

The bank's loan-to-deposit ratio depicts an adequate level of lending based on assessment area characteristics.

The bank has funded a majority of its loans within the assessment area.

No CRA-related complaints have been received since the previous evaluation, and no violations were identified of the substantive provisions of anti-discriminatory laws and regulations during this evaluation.

DESCRIPTION OF INSTITUTION

Strategic Capital Bank is a full-service bank operating from a single location in Champaign, Illinois. This office is located in Champaign County, which is part of the Champaign-Urbana Metropolitan Statistical Area (MSA). The bank is a subsidiary of Strategic Capital Bancorp, Inc., a privately held financial services holding company. The bank's affiliate, Strategic Capital Trust Company, specializes in nondeposit investment services.

The bank offers residential, consumer, and business loan products, as well as checking, savings, and certificate of deposit products. The bank's affiliates do not provide any lending services. This is the institution's second CRA evaluation. The previous evaluation rated the bank "Satisfactory." The current evaluation addresses the bank's CRA performance from the last public evaluation, October 15, 2001, through December 4, 2006. While the bank does not operate any automated teller machines or have a drive-up facility, it does offer a courier service for its customers.

Total assets of the bank equaled \$226,852 on September 30, 2006. The major loan category by dollar volume was commercial lending at about 61 percent of total loans, and the bank's lending focus has relied primarily upon originating loans of this type. The loan composition as of September 30, 2006 is detailed in the following table. No legal or financial impediments exist that would inhibit the bank's ability to meet the credit needs of the assessment area.

Table A - Loan Distribution as of 09/30/2006		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	28,759	28.10
Secured by Farmland	1,512	1.48
1-4 Family Residential	5,421	5.30
Multi-Family (5 or more) Residential	1,612	1.58
Commercial	28,942	28.28
Total Real Estate Loans	66,246	64.74
Agricultural	532	0.52
Commercial and Industrial	33,940	33.16
Consumer	1,619	1.58
Other	0	0.00
Less: Unearned Income	(0)	0.00
Total Loans	102,337	100

Source: Report of Condition

Small business loans originated over the past 12 months were reviewed for this evaluation, since such lending constitutes a major product by dollar volume for the bank's lending activity. Small business lending is important

to the economic strength of the assessment area. The universe from which the sample was selected consisted of 108 loans totaling \$26,803,250. The sample of 42 loans totaling \$10,198,964 was based upon a 90 percent confidence interval with a plus or minus 10 percent precision level. The tables depict only information based upon the number of loans. The loan activity by dollar volume was reviewed and exhibited performance similar to that by loan number and will not be commented upon unless a significance difference was found.

DESCRIPTION OF ASSESSMENT AREA

The assessment area includes all of Champaign and Piatt Counties, which are part of the Champaign-Urbana MSA Number 16580. The income distribution of the assessment area's census tracts is as follows: low income – 3, moderate income – 12, middle income – 20, upper income – 9, and income not assigned – 1. The population of the entire assessment area is 196,034. All demographic data in this evaluation is from the 2000 U.S. Census unless otherwise noted. The assessment area does not arbitrarily exclude any low- or moderate-income census tracts.

The economy in the MSA is experiencing a slow down in growth with manufacturing and construction employment undergoing negative growth over the past year. Total employment however remains unchanged from 2005.¹ The largest employers in the MSA include the University of Illinois (20,766 employees), Carie Clinic Association (4,750 employees), Carie Foundation Hospital (2,027 employees), and Covenant Medical Center (1,450 employees).² The major employment sectors in the MSA are government (33 percent), education and health services (11 percent), and leisure and hospitality services (10 percent). The October 2006 unemployment rates for the counties within the assessment area were as follows: Champaign County – 3.0 percent, and Piatt County – 2.7 percent. The State of Illinois had an overall rate of 3.6 percent for the same period.³

The bank has numerous competitors in the assessment area. As of June 30, 2006, 30 FDIC-insured financial institutions with 86 offices conduct business in the MSA. Community contacts are completed within a bank's assessment area to obtain information on the local economy and needs which exist in the community. A community contact indicated that the overall economy is "excellent," with large stable employers insulating the area from adverse economic trends.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank is considered a small bank under the CRA regulation; therefore, the small bank CRA evaluation procedures were used for this evaluation. The criteria used to evaluate a bank's performance are as follows: the level of lending as indicated by the loan-to-deposit ratio for the time frame since the previous evaluation; the assessment area concentration of lending; the geographic distribution of lending; the distribution of lending among borrowers of various income levels; and the response to consumer complaints concerning a bank's CRA performance. This evaluation uses the size of the small business loan as a proxy for the size of the business. In other words, the smaller the loan, the smaller the business.

1 - Economy.com

2 - Economy.com

3 - <http://lmi.ides.state.il.us/laus/ratestate.htm>

Lending to Businesses of Various Sizes

The dispersion of lending reflects, given the demographics of the assessment area, a reasonable distribution among businesses of differing sizes. The distribution by loan size was reviewed for small business loans in the assessment area to evaluate the business size of the borrowing entities. The CRA regulation discusses loan size when defining small business loans. This criterion was given the most weight in the CRA evaluation.

The loan distribution to small businesses was reasonable based upon the loan size distribution among businesses of differing sizes. The following table details the small business loans by loan size based upon the original amount of the loans. Forty-seven percent by number of the small business loans had original loan amounts of \$100,000 and less. This percentage indicates that the bank is doing a reasonable job of serving the credit needs of small businesses, as almost half of the loans are of a very small size. An additional 28 percent of the loans by number had original loan amounts in the size range exceeding \$100,000 to \$250,000. This is a further indication of the bank's willingness to lend to small businesses in the assessment area.

Loan Amount Ranges	Number	Percent by Number
\$100,000 and less	15	47
Over \$100,000 to \$250,000	9	28
Over \$250,000 to \$500,000	2	6
Over \$500,000 to \$1,000,000	6	19
Total	32	100

Geographic Distribution of Lending

The geographic distribution of small business loans reflects a reasonable dispersion throughout the assessment area. The bank currently has one office location in the assessment area, which could limit geographic dispersion of lending as persons or businesses frequently choose to conduct banking business at banks close to their residence or place of business.

The geographic distribution of small business loans is reasonable, as the level of lending is within a reasonable range of the business population by census tract income level. The following table details the small business lending by census tract income level in the assessment area. No loans were funded in the low-income census tracts. However, the absence of loans in the low-income census tracts is not surprising given the bank's one location in a large diverse county. Furthermore, only 5 percent of the business population is in those census tracts. The bank did fund 12 percent of lending in the moderate-income census tracts, which is below the 26 percent business population, but given the bank's relatively short existence, a reasonable amount of lending.⁴

Tract Income Level	# Of Loans	% of # Loans	Business Population*
Low	0	0	5
Moderate	4	12	26
Middle	14	44	46
Upper	14	44	21
N/A	0	0	2
Total	32	100	100

* - 2005 Dun and Bradstreet data

⁴ Strategic Capital Bank opened for business on November 1, 1999.

Lending in the Assessment Area

A majority of the bank's loans by the percentage of number and dollar volume are in the assessment area. The following table details the percentage by number and dollar volume in the assessment area for the small business loans reviewed. Seventy-six percent by number and 81 percent by dollar volume of the small business loans were in the assessment area. The bank's performance for this factor is deemed reasonable, since a majority of loans by number and dollar volume were in the assessment area for the period reviewed.

Table D – Lending in the Assessment Area		
Loan Program	Percent by Number	Percent by Dollar Volume
Small Business Loans	76	81

Level of Lending

The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs, and indicates that the bank is using the deposits obtained from the assessment area to fund loans. This ratio is one criterion that measures the bank's willingness to lend.

The following table details the bank's average loan-to-deposit ratio and that of two competing banks. The bank's ratio is similar to that of the competitors. This average loan-to-deposit ratio is based upon a calculation, which includes each calendar quarter since the last public evaluation. The bank has maintained a reasonable level of lending activity throughout the evaluation period given that the loan-to-deposit ratio has been at or above 50 percent since the last public evaluation.

Table E – Average Loan to Deposit Ratio	
	Percent
Strategic Capital Bank	76
Competitor A	71
Competitor B	83

Response to Complaints

The bank has not received any written complaints regarding its performance under the Community Reinvestment Act since the prior evaluation.

Compliance with Anti-discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified during the evaluation. Recent loan originations and rejected credit applications were reviewed to ascertain compliance with applicable fair housing and fair lending laws and regulations. No acts, policies, or practices were identified that were inconsistent with the substantive provisions of these laws and regulations including the Equal Credit Opportunity Act and the Fair Housing Act.

Other Information

The bank has an office located in the Champaign-Urbana, Illinois MSA. HMDA data information for this MSA is available at the following address:

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