



INTERMEDIATE SMALL BANK

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

PUBLIC DISCLOSURE

February 27, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Eagle National Bank
Charter Number 18553**

**1040 East Lake Street
Hanover Park, IL 60133**

**Comptroller of the Currency
Chicago South
7600 Country Line Road Unit 3
Burr Ridge, IL 60521**

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: “Outstanding”.

First Eagle National Bank (FENB) has a good record of meeting community credit needs. This conclusion is based on the following:

- The bank’s loan-to-deposit ratio is more than reasonable and averaged 97.78 percent during the evaluation period.
- A substantial majority of FENB’s loans were originated within the bank’s assessment area (AA).
- FENB’s distribution of loans to businesses with gross revenues of less than \$1 million is excellent.
- The bank’s distribution of business loans and home mortgage loans to low- and moderate-income geographies is good, particularly when considering the strong competition within the AA.
- FENB’s community development performance demonstrates excellent responsiveness to the community development needs of its AA. The bank has made a significant commitment to affordable housing, which is a critical need in the bank’s AA.

SCOPE OF EXAMINATION

This Performance Evaluation is based on 2000 U.S. Census demographic information. Conclusions regarding the Lending Test are based on the origination or purchase of home mortgage products and small business loans from January 1, 2004 through December 31, 2006. Conclusions regarding the Community Development Test are based on community development activities from September 1, 2001 through February 27, 2007.

DESCRIPTION OF INSTITUTION

First Eagle National Bank (FENB), with total assets of \$299 million, as of December 31, 2006, is an intrastate financial institution headquartered in Hanover Park, Illinois. FENB became a nationally chartered bank on February 14, 1985 and is a wholly owned subsidiary of First Eagle Bancshares, Inc., a one-bank holding company. Since the last Community Reinvestment Act (CRA) examination, the bank opened a full service branch (October 9, 2001) at 1201 West Madison Street in Chicago, Illinois. At the prior CRA examination dated August 20, 2001, FENB was evaluated as a small bank and received an overall Satisfactory rating.

Both of FENB's offices are in the Chicago Metropolitan Area (MA). The Hanover Park office is located in a middle- income geography while the Chicago branch is located in an upper- income geography. Despite the fact that FENB does not have branches located in low- and moderate- income geographies, their larger AA allows FENB the opportunity to service low- and moderate- income geographies (107 low- income and 212 moderate- income) that surround the Hanover Park and Chicago branches.

The following table details the distribution of the bank's offices and ATMs by income level of census tract in which it is located:

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts in AA		Full-Service Offices		Automated Teller Machines*	
	#	%	#	%	#	%
Low	107	11.69%	0	0.00%	0	0.00%
Moderate	212	23.17%	0	0.00%	0	0.00%
Middle	299	32.68%	1	50.00%	1	50.00%
Upper	288	31.48%	1	50.00%	1	50.00%
NA	9	.98%	0	0.00%	0	0.00%
Total	915	100.00%	2	100.00%	2	100.00%

The bank's business strategy is to provide its customers with a full range of products and services consistent with a community bank. The bank's primary focus is on commercial lending. FENB's banking locations are supplemented by 24-hour ATM access. The bank has 2 ATM locations within their Assessment Area (AA), with additional locations available through

membership in the Cirrus ATM network. Other services include bank-by-mail, direct deposit,

night depository, and 24-hour telephone or Internet banking.

As of December 31, 2006, FENB had total assets of \$299 million, total loans of \$245 million, and total deposits of \$250 million. The loan to deposit ratio was 97 percent. The loan portfolio is segmented into residential real estate loans (28.47 percent), commercial loans (38.99 percent), construction and development (24.78 percent), and lease financing receivables (7.76 percent).

There are no legal or financial impediments to FENB's ability to help meet the credit, investment, and service needs of its AA. FENB's Tier 1 Capital level is \$29 million representing 10.20 percent of average assets. The bank is financially capable of meeting almost any request for credit, subject to sound underwriting criteria and certain legal restrictions applicable to all national banks.

DESCRIPTION OF FENB's AA

Demographic and Economic Characteristics of First Eagle National Bank's AA	
Population	4,096,054
Number of Families	974,304
Number of Households	1,523,347
Geographies	
Number of Census Tracts/BNA	915
% Low-Income Census Tracts/BNA	11.69%
% Moderate-Income Census Tracts/BNA	23.17%
% Middle-Income Census Tracts/BNA	32.68%
% Upper-Income Census Tracts/BNA	31.48%
Median Family Income (MFI)	
2000 MFI for AA	66,112
2005 HUD-Adjusted MFI	68,550
Economic Indicators	
Unemployment Rate	2.92
2005 Median Housing Value	200,734
% of Households Below Poverty Level	10.00

Data Source: 2000 US Census

The above table provides basic demographic information based on the income level of geographies and families within the AA.

FENB's AA consists of the 915 geographies comprising DuPage, Cook, and Kane Counties which is part of the Chicago metropolitan area. Nine of the 915 geographies are not classified by income level and are not included in the above table. The AA is consistent with CRA regulatory requirements and does not arbitrarily exclude low- and moderate- income geographies. FENB's AA includes geographies in which the bank has its branches and where a substantial portion of the bank's loans have been originated.

According to the 2000 U.S. Census, the total population of the AA is 4,096,054. The population is distributed 6.90 percent, 23.44 percent, 36.93 percent, and 32.73 percent in low-, moderate-, middle-, and upper- income geographies, respectively.

Of the 974,304 AA families, 20.20 percent, 17.23 percent, 21.37 percent, and 41.20 percent report earning low-, moderate-, middle-, and upper- incomes, respectively. Approximately 10 percent of the population lives below the poverty level. A low- income family in the bank's AA has an income of less than \$34,275. Based on estimates by the Department of Housing and Urban Development, the updated median family income figure of \$68,550 was used to determine the borrower's income levels for the AA.

Local banking competition is aggressive and includes affiliates of large national banking companies, regional banks, large credit card banks, numerous small community banks, credit unions, and non-bank financial service providers.

The unemployment rate in the bank's AA is low at 2.92 percent. The services, retail trade, and non – classifiable establishment sectors account for the majority of the employers in the AA. The leading employers include Motorola, Sears Roebuck & Company, the University of Illinois at Chicago, and University of Chicago Hospitals.

A review of community contacts conducted within the bank's AA noted that there is a high level of opportunities for community development such as affordable housing (specifically apartment buildings); flexible loan and deposit products – (such as for senior citizens to make home repairs); for individuals to meet small, short-term credit needs; and for individuals wishing to repair or build a credit record.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending Test

The bank's performance under the Lending Test is rated **“Satisfactory”**.

Because small business lending is the bank's primary business line, more weight was given to small business lending when evaluating performance under the criteria detailed below.

Loan-to-Deposit Ratio

FENB's loan-to-deposit ratio is more than reasonable and exceeds the standard for outstanding performance. The average quarterly loan-to-deposit ratio from January 1, 2004 through December 31, 2006 was 97.78 percent. This average was compared to the average of similarly sized institutions in the bank's peer group (6) with total assets between \$100 million and \$300 million, for the same time period. Refer to the table below for comparative data:

Loan-To-Deposit Ratios		
Institution	Total Assets \$000's (As of 12/31/2006)	Average Loan - to-Deposit Ratio
<i>First Eagle National Bank, Hanover Park, Illinois</i>	<i>298,749</i>	<i>97.78%</i>
<i>Peer Group (6) Average of \$100 million and \$300 million</i>	<i>200,000</i>	<i>83.82%</i>

Source: Institution Reports of Condition from January 1, 2004 to December 31, 2006.

Lending in Assessment Area

FENB's lending in its AA exceeds the standard for satisfactory performance. A substantial majority of the number and dollar amount of the home mortgage and small business loans were originated within the bank's AA. As depicted in the table below, 73 percent of both the number and dollar amount of loans were originated in FENB's AA.

Lending in FENB's AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Home Mortgage	143	79%	39	21%	182	\$37,465	82%	\$8,245	18.04%	\$45,710
Small Business	98	59%	69	41%	167	\$26,514	69%	\$11,855	31%	\$38,369
Totals	241	69%	108	31%	349	\$63,979	76%	\$20,100	24%	\$84,079

Source: Data reported under CRA and HMDA sample of loans.

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

FENB's borrower distribution of home mortgage loans meets the standards for satisfactory performance. The bank's borrower distribution of small business loans is outstanding and exceeds the standard for satisfactory performance.

FENB's borrower distribution of small business loans is excellent. Loans to businesses with revenues of \$1 million or less represented 63 percent of sampled business loans, which exceeds the 62 percent of area businesses that reported revenues of less than \$1 million.

2004 – 2006 Borrower Distribution of Small Loans to Businesses in FENB's AA		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	62.25%	10.78%
% of Bank Loans in AA by #	63.27%	37.76%

Source: Loan sample (Data reported under 2004- 2006 CRA); * 26.97% of AA did not report revenue data.

The bank's overall distribution of home mortgage loans is good, particularly when considering the 10% poverty rate within the AA. A high poverty level is a barrier that has a negative effect

on home ownership. Additionally, competition is strong with 220 banks competing in FENB's AA. The top five competitors are very large national and regional financial institutions.

FENB's distribution of home purchase loans to low-income families is below the percentage of low-income families in the AA. We consider the performance adequate due to the high poverty level (10%) which inhibits low income borrowers from purchasing even the least expensive homes in the AA. The bank's distribution of home purchase loans to moderate-income families is somewhat below the percentage of moderate-income families in the AA.

FENB's distribution of home improvement loans to low- and moderate-income families is below the percentage of low- and moderate-income families in the AA. We consider the performance adequate due to the high poverty level (10%) which inhibits low income borrowers from purchasing even the least expensive homes in the AA. FENB does not report home improvement loans on its systems; however the bank has originated 419 home equity lines of credit for a total of \$67.5 million during this evaluation period. The bank's percentage of home improvement loans originated is good as it is near to the percentage of moderate-income families in the AA.

FENB's distribution of home mortgage refinance loans to low-income families is somewhat below the percentage of low-income families in the AA. We consider the performance adequate due to the high poverty level (10%) which inhibits low income borrowers from purchasing even the least expensive homes in the AA. The distribution of home mortgage refinance loans to moderate-income families exceeds the percentage of moderate-income families in the AA.

2004 – 2006 Borrower Distribution of Residential Real Estate Loans in FENB's AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	20.20%		17.23%		21.37%		41.20%	
Loan Type(s)	% of Number	Dollar Amount (000's)	% of Number	Dollar Amount (000's)	% of Number	Dollar Amount (000's)	% of Number	Dollar Amount (000's)
Home Purchase	14.81%	\$1,930	11.11%	\$664	22.22%	\$1,577	51.85%	\$6,002
Home Improvement	5.80%	\$201	8.70%	\$230	31.88%	\$1,323	53.62%	\$2,449
Home Refinance	12.50%	\$938	25.00%	\$1,117	16.67%	\$937	45.83%	\$3,116

Source: Loan sample (Data reported under 2004- 2006 HMDA); 2000 U.S. Census data.

Geographic Distribution of Loans

FENB's geographic distribution of loans is adequate and meets the standard for satisfactory performance. FENB's lending within this AA was evaluated to determine if any unexplained or conspicuous gaps were identified regarding the geographic distribution of the bank's home mortgage loans and small loans to businesses. No unexplained or conspicuous gaps were identified.

The geographic distribution of FENB’s small business loans is good. The bank’s distribution of small business loans in the low-income tracts are somewhat below the percentage of small businesses located in those geographies. Competition for small business loans is strong. There are 233 lenders who report small business loans with revenues of \$1 million or less originating in the bank’s AA. The top five competitors are very large national and regional financial institutions and credit card banks. Additionally, there are only 4,495 small businesses in the AA with revenues less than \$1 million. The geographic distribution of small loans in the moderate-income tracts exceed the percentage of small businesses located in those geographies.

FENB’s overall geographic distribution of home mortgage loans is good, particularly when considering the strong competition within the AA. There are 220 banks competing in FENB’s AA. The top five competitors are very large national and regional financial institutions. Additionally, there are 901,010 owner occupied units within the AA; however only 19,461 of the owner occupied units are in the low- income geographies.

The geographic distribution of home purchase loans is good. The bank’s distribution of home purchase loans exceeds the percentage of owner occupied housing units in the low- income geographies. FENB’s distribution of home purchase loans in the moderate- income geographies is below the percentage of owner occupied housing units in those moderate- income geographies. Performance context issues outlined above mitigate this data.

FENB’s geographic distribution of home improvement loans is good. The bank’s distribution of home improvement loans is below the low- and moderate- income geographies. Performance context issues outlined above mitigate this data. We consider the performance to be satisfactory since FENB does not report improvement loans on its systems; however the bank has originated 419 home equity lines of credit for a total of \$67.5 million during this evaluation period.

The geographic distribution of home mortgage refinance loans is good. The bank’s distribution of home mortgage refinance loans for low- income geographies is below the percentage of owner occupied units within the low- income geographies. Performance context issues outlined above mitigate this data. The bank’s distribution of home mortgage refinance loans for moderate-income geographies exceeds the percentage of owner occupied units.

2004 – 2006 Geographic Distribution of Loans to Businesses in FENB’s AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	2.58%		12.98%		34.22%		49.92%	
LOANS	% of Number	Dollar Amount (000’s)	% of Number	Dollar Amount (000’s)	% of Number	Dollar Amount (000’s)	% of Number	Dollar Amount (000’s)
Small Business Loans	1.02%	\$270	24.49%	\$6,493	36.73%	\$9,739	37.76%	\$10,012

Source: Loan sample (Data reported under 2004 and 2006 CRA);

2004 – 2006 Geographic Distribution of Residential Real Estate loans in FENB's AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of Owner Occupied Housing	2.16%		13.09%		41.78%		42.97%	
LOANS	% of Number	Dollar Amount (000's)	% of Number	Dollar Amount (000's)	% of Number	Dollar Amount (000's)	% of Number	Dollar Amount (000's)
Home Purchase	3.45%	\$351	3.45%	\$351	31.03%	\$3,157	62.07%	\$6,314
Home Improvement	0.00%	\$0	2.82%	\$119	35.21%	\$1,480	61.97%	\$2,605
Home Refinance	0.00%	\$0	13.79%	\$842	31.03%	\$1,895	55.17%	\$3,370

Source: Loan sample (Data reported under 2004 & 2006 HMDA); 2000 U.S. Census data.

Responses to Complaints

There have been no consumer complaints relating to the bank's Community Reinvestment Act performance during the evaluation period.

Community Development Loans, Qualified Investments, and Community Development Services Test

The bank's performance under the Community Development Test is rated "Outstanding".

FENB is very active in the communities they serve. This is evidenced by their participation with various civic and non-profit organizations that provide services to low- and moderate-income individuals. FENB has made a significant commitment to affordable housing through community development lending totaling \$6.6 million. Additionally, the bank invested \$1.8 million in nonprofit organizations and a FNMA loan pool. The organizations the bank invested in facilitate affordable housing and revitalization and stabilization of neighborhoods. The Fannie Mae loan pool consists primarily of loans to low- or moderate- income individuals or families in low- or moderate- income geographies. Affordable housing has been identified as a need in the bank's AA.

Community Development Loans

FENB made an excellent level of community development loans during the evaluation period.

Qualifying community development loans are those that meet the definition of community development, as defined in the CRA regulation.

FENB provided funding in the amount of \$878 thousand to Community Investment Corporation (CIC). The CIC is a pooled risk mortgage lender specializing in multi-family rehab in low- and moderate-income neighborhoods. The mission of the CIC is to be the leading force in neighborhood revitalization through innovative financing programs.

FENB originated 2 loans (\$247,771) to a developer who took over a failed subdivision located in Harvey, Illinois. Harvey, Illinois is located in low- income geographies with high unemployment and the median family income is \$35 thousand. This project was very successful and helped to fulfill some of the local government's plans to revitalize the community.

The bank originated 2 loans totaling \$802,747 to fund a project in a low- and moderate- income suburb of the City of Chicago that would revitalize this community. This for profit entity serves low- income families who can purchase the homes with as little as \$400 down and put in sweat equity such as painting for a \$4,000 credit.

FENB worked with a non-profit organization that provides affordable housing to low- or moderate- income individuals or families. The bank sponsored three \$4,500 subsidies that were funded by the FHLB through the Affordable Housing Program. These subsidies were used as part of the down payment for low-income families to purchase a home.

The bank originated two loans totaling \$4 million to a for profit entity for the purchase and rehabilitation of a multifamily 70 unit apartment building in a moderate-income neighborhood of

Chicago. All units are designated affordable through the rental ranges (\$484 to \$665) for the units.

The bank participated in a loan used to finance the acquisition and rehabilitation of a multifamily building designated Section 8 housing. The bank's participation totaled \$360 thousand. Rental units are available to individuals and families with incomes up to 60 percent of the median income.

The bank participated in a loan in the amount of \$294 thousand used for the development of a mixed income town-home project. Half of the town-homes are designated affordable housing for low- and moderate- income individuals and families and are financed through the DuPage Homestead and Just Homes Programs.

Community Development Investments

Qualifying investments are investments, deposits, membership shares, or grants that have as their primary purpose community development, as defined in the CRA regulation.

FENB made a grant of \$50 thousand to Local Initiatives Support Corporation (LISC/Chicago) to be paid over a 5 year period in increments of \$10 thousand. To date \$20 thousand has been funded. LISC is a national nonprofit organization dedicated to helping nonprofit community development organizations (CDC) transform distressed neighborhoods into stable communities. LISC also provides services to low-income individuals, such as job counseling and placement, introduction to financial products, budgeting guidance and credit counseling. As a result of the efforts of LISC, private and commercial development is returning to several depressed areas in the City of Chicago.

The bank purchased a \$95 thousand certificate of deposit from a certified Community Development Financial Institution (CDFI) located in the bank's assessment area (AA). In order to be certified as a CDFI, the institution must have a primary mission of promoting community development, predominantly serving and maintaining accountability to eligible target markets and provide community development services.

FENB invested \$500 thousand in a local equity fund organized as a nonprofit corporation with local corporations and financial institutions as limited partners. The purpose of the fund is to 1) assist nonprofit and for profit developers increase their capacity to produce, own and manage low-income housing throughout Chicago. 2) Increase the availability of quality, affordable housing throughout Chicago for low-income families. 3) Help the revitalization of neighborhoods where projects are targeted.

The bank also invested \$1.2 million in mortgage backed securities that are backed by FNMA. The security consists of a pool of residential mortgages for single family, multifamily and condominium affordable housing. All loans are to low- or moderate-income borrowers and the majority of them are located in low- or moderate- income geographies. All of the loans are in the bank's AA.

During the evaluation period, the bank made over 12 qualified donations totaling \$31 thousand

to local non-profit organizations that provide affordable housing and other social services to low- to moderate-income individuals and families.

Community Development Services

The level of qualified community development services is good. Bank personnel are active in providing financial expertise to non-profit organizations whose primary purpose is to provide affordable housing or community services to low- to moderate- income individuals. Bank officers also volunteer their time to non-profit agencies to provide small business training, workshops, seminars, as well as educational programs to teach financial management, entrepreneurship and economics. The following are examples of qualified community development services:

- **Community Resource Network**
The President of FENB serves on the Board and as Treasurer for this nonprofit organization. The Community Resource Network's mission is to strengthen and revitalize communities throughout Chicago through education regarding health and human services and to mobilize people through community involvement.
- **Mercy Home for Boys and Girls**
One of FENB's senior officers serves on the Women's Leadership Council. One of the key roles of the council is fund raising for scholarships and other educational needs of its residents. Mercy Home is a long term residential home for troubled and displaced young men and women from ages 11-21.
- **First Time Home Buyer's Seminar**
The bank hosted a First Time Home Buyer program featuring a variety of home loan programs such as 100 percent financing, lender paid private mortgage insurance and sub-prime programs for consumers with fractured credit. The Community Home Buyer Program was highlighted as it offers 100 percent financing and has the added bonus of loan counseling.
- **Illinois State Micro-enterprise Initiative**
FENB is a member of the Illinois State Micro-enterprise Initiative. Members provide very small businesses with planning and technical assistance, access to credit and a support network that assists clients win the process of starting and growing their own business.

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.