SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 1, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of La Grange
Charter Number: 13941

620 West Burlington
La Grange, IL 60525

Office of the Comptroller of the Currency
Butterfield Road, Suite 400, Downers Grove, IL 50515

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 First National Bank of LaGrange's (FNBL) lending is satisfactory and addresses the credit needs of the community. The major factors that support this rating include:

- FNBL's average quarterly loan-to-deposit (LTD) ratio for the period since the previous Community Reinvestment Act (CRA) exam is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.

- FNBL's In and Out ratio is reasonable and meets standards when originating loans inside the bank's AA. FNBL originates a majority of its primary loan products inside the bank's AA.

- FNBL's distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes given the bank's product offerings, AA demographics, and current economic conditions.

SCOPE OF EXAMINATION

The evaluation period includes loans originated during 2008 and 2009, utilizing 2000 Census data for evaluating small business lending and residential real estate loans. Our sample consisted of 60 business loans and all residential real estate loans reported under the Home Mortgage Disclosure Act (HMDA) for 2008 and 2009. Data integrity was performed on the reported HMDA data from 2008 and 2009; the data is deemed reliable. We also conducted an interview with a local community contact to assess local credit needs.

DESCRIPTION OF INSTITUTION

First National Bank of LaGrange (FNBL) is headquartered in LaGrange, Illinois, approximately 15 miles west of Chicago, Illinois. FNBL is wholly owned by First National Bancorp LaGrange, Inc., a two bank holding company located in LaGrange, Illinois. FNBL's affiliate is the State Bank of Illinois, located in West Chicago, Illinois.

FNBL operates one full service office and two branch offices. The main office, located in LaGrange, has a drive up facility and two automated teller machines (ATMs). The two branches are located in Western Springs, Illinois and LaGrange Park, Illinois. Both branch locations have ATM services. The bank's main office and the Western Springs branch offer full service facilities with a full range of traditional banking products. The LaGrange Park branch is located in a retirement facility and offers only depository services.

The bank has two primary loan products: business loans and residential real estate loans. These two loan types account for 85 percent of all loan originations during the evaluation period and make up 93 percent of the outstanding loan balances as of

December 31, 2009. These products were used in the analysis for this evaluation and are a reflection of the bank's business strategy. Consumer and other loans are not primary loan products as they only account for 15 percent of all loan originations during the evaluation period and make up the remaining 7 percent of the outstanding loan balances as of December 31, 2009. The table below illustrates the composition of originated loans by loan type.

Loan Originations by Loan Type for 2008 & 2009		
Loan Category	**$ (000)**	**%**
Commercial Loans	$ 53,860	39%
Residential Loans	$ 63,352	46%
Other	$ 10,083	8%
Consumer Loans	$ 9,147	7%
Total	$136,442	100%

Source: Bank Records from 2008 and 2009

The FNBL has total assets of $288 million as of December 31, 2009. The loan portfolio represents 50 percent of total assets. Tier 1 Capital was reported at $24 million as of December 31, 2009.

There are no financial conditions, legal constraints or other factors that would hinder the bank's ability in helping to meet the credit needs of its community. The bank's previous CRA rating as of July 12, 2004, was Outstanding.

DESCRIPTION OF ASSESSMENT AREA(S)

FNB LaGrange has one assessment area (AA) that encompasses a small portion of the Chicago metropolitan area (MA) 1600. The AA consists primarily of LaGrange, LaGrange Park, Lyons, Hinsdale, Hodgkins, Countryside, Western Springs, Willowbrook, and Burr Ridge. This AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The total population of the AA is 148,452 and consists of 31 geographies based on 2000 Census data. Eleven (35 percent) are middle-income and 20 (65 percent) are upper-income geographies. There are no low- or moderate-income geographies in the bank's AA. According to the 2000 Census, 81 percent of the housing in the AA is 1-4 family units with 78 percent owner-occupied. The median home value, based on 2000 Census data, was approximately $258 thousand. Current home values have almost doubled. The HUD updated median annual family income in the bank's AA is $71 thousand.

Unemployment in the AA is high. According to the US Department of Labor, the unemployment rate for Cook County is 10.3 percent for 2009 and 11.3 percent as of March 2010.

Competition in the bank's AA is strong. According to the FDIC summary of deposits, there are 192 deposit taking institutions in the bank's market area. Twenty-five of these institutions are the same asset size as FNBL; a majority of the competition in the bank's market area comes from larger banks.

Our community contact (a local nonprofit organization) stated that current economic conditions are poor. Unemployment is high, and small businesses are struggling. Local non-profit organization that typically get funding from the State are not getting promised contributions for 9-10 months, requiring them to go to banks for interim financing. There is little opportunity for low- or moderate-income individuals to afford homes in the area, as the average home is selling for over $300 thousand and there are fewer of those. Most homes in the area sell for over $450 thousand. Credit needs are loans to small businesses that stimulate development; non-profit organizations also need fundraising help. Banks are usually helping through the chamber of commerce, with various projects and through the village government bodies for façade loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average loan to deposit ratio (LTD) is reasonable and meets standards given the institution's size, financial condition and AA needs. FNBL's LTD ratio has remained fairly steady over the last fourteen quarters, averaging 84 percent. Other banks of various sizes in the AA have LTD ratios that range from an average of 78 percent to 112 percent. FNBL's LTD is similar to banks of comparable asset size in the bank's AA.

Lending in Assessment Area

FNBL's In and Out ratio is reasonable and meets standards when originating loans inside the bank's AA. FNBL originates a significant majority of the number of business loans and a majority of the number of residential real estate loans inside the bank's AA. Out of a sample of 60 business loans, the bank originated 90 percent of the number and 96 percent of the dollar amount of loans within the bank's AA. Out of all reported HMDA loans, the bank originated 54 percent of the number (132) and 56 percent of the dollar ($34.9 million) amount of loans within the bank's AA.

The following table displays details on both categories of primary loan products by number and dollar amount of loans originated during the evaluation period.

Lending in FNBL AA										
	Number of Loans					Dollars of Loans				
Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
Business Loans	54	90	6	10	60	17,294,864	96	673,667	4	17,968,531
Residential Real Estate	132	54	112	46	244	34,942,000	56	27,979,000	44	62,921,000
Total	186	61	118	39	304	52,236,864	65	28,652,667	35	80,889,531

Source: A sample of 60 business loans from 2008 and 2009 originations. All residential real estate loans reported for HMDA in 2008 and 2009.]

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

FNBL's borrower distribution of residential real estate loans is reasonable and meets standards. The percentage of residential real estate loans to low-income borrowers (4 percent) and moderate-income borrowers (6 percent) is below the percentage of low-income families (10.25 percent) and moderate-income families (12.67 percent) in the AA. However, the considerable poverty level (4 percent) and high unemployment and cost of housing have a negative effect on low- and moderate-income home mortgage applicants in the bank's AA.

According to the 2000 Census data, the median home value was $258 thousand. Bank management researched the estimated median home value in their market area as $366 thousand (citydata.com). A low- to moderate-income individual in the MA earns no more than $60 thousand in annual income. With a loan amount of 80 percent of the 2008 estimated home value, individuals earning no more than $60 thousand a year would have a debt to income ratio exceeding 55 percent. Thus, it is reasonable to conclude that few low- and moderate-income borrowers would be able to qualify for a home mortgage loan in the bank's AA.

The following table displays details on the distribution of residential real estate loans originated during the evaluation period among borrowers of different income levels.

Borrower Distribution of Residential Real Estate Loans in FNBL AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate Loans	10.25	4.00	12.67	6.00	18.03	14.00	59.05	80.00

Source: Demographic data from 2000 Census data. Loan data from the bank's 2008 and 2009 reported HMDA data.

FNBL's performance of lending to businesses of different sizes is reasonable and meets standards. From a sample of 54 business loans that were originated in 2008 and 2009 within the bank's AA, the percentage of the number of loans (67 percent) exceeds the percentage of AA businesses with revenues less than $1 million. The dollar amount of loans (67 percent) to businesses with revenues less than $1 million also meets the percentage of businesses reporting revenues less than $1 million. Businesses reporting revenues less than $1 million generally have needs for smaller loans. There are a large number of AA businesses where annual revenues are unavailable.

The following table displays details on the distribution of business loans originated during the evaluation period among businesses of different sizes.

Borrower Distribution of Loans to Businesses FNBL AA				
Business Revenues (or Sales)	≤$1,000,000	>$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65	8	27	100%
% of Bank Loans in AA by #	67	33		100%
% of Bank Loans in AA by $	67	33		100%

Source: Loan sample of 54 business loans originated during 2008 and 2009 inside the bank's AA. Demographic information is from 2000 Census data.

Geographic Distribution of Loans

There are no low- or moderate-income geographies in the bank's AA; therefore a geographic analysis would not be meaningful.

Responses to Complaints

FNBL has no outstanding complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

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.