



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 20, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Eagle National Bank
Charter Number 18553**

**1040 West Lake Street
Hanover Park, Illinois 60103**

**Office of the Comptroller of the Currency
Chicago West Field Office
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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 First Eagle National Bank (FIRST EAGLE), Hanover Park, Illinois, as prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 20, 2001. The agency rates the CRA Performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION RATING

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

The major factors that support FIRST EAGLE's rating include:

- A reasonable level of net loan-to-deposit ratio.
- An adequate geographic distribution of loans in the assessment area.
- An adequate level of lending within the assessment area.
- An overall good level of HMDA and consumer loans to borrowers of different income levels.
- A good level of qualified investments.

DESCRIPTION OF INSTITUTION

First Eagle National Bank (FIRST EAGLE) is a \$185 million intrastate financial institution headquartered in Hanover Park, Illinois. Hanover Park is located approximately 33 miles northwest of Chicago, Illinois. FIRST EAGLE is a wholly owned subsidiary of First Eagle Bancshares, Inc., a one-bank holding company. In June 2001, the holding company established another subsidiary, FENB Development Corporation (FENB). The sole purpose of FENB was to hold the properties foreclosed by FIRST EAGLE during its normal course of business. Currently, FENB is inactive.

As of March 31, 2001, FIRST EAGLE had approximately \$106 million in outstanding net loans and deposits of approximately \$130 million, for a net loan-to-deposit ratio of 82 percent. FIRST EAGLE made no agricultural loans during the evaluation period. This is considered reasonable since the bank is located in close proximity to the City of Chicago, where very few opportunities exist for agricultural lending. Therefore, agricultural lending is not part of the bank's lending strategy. The bank's gross loan portfolio consisted of the following:

Loan Category	\$(000s)	percent
Agriculture Loans	\$0	0.0
Commercial Loans	\$27,428	25.3
Commercial Real Estate Loans	\$37,287	34.4
Consumer Loans	\$3,053	2.8
Residential Real Estate Loans	\$40,589	37.5
Total	\$108,357	100.0

FIRST EAGLE has only one full-service location, located in Hanover Park, Illinois. The bank has one drive-up facility with an automated teller machine (ATM) attached to its one location.

FIRST EAGLE had approximately \$19 million in Tier One capital.

FIRST EAGLE received an overall Satisfactory rating on September 26, 1996, the date of the last Community Reinvestment Act performance evaluation. There are no financial conditions, legal constraints or other factors that would hinder its ability to meet the credit needs of its community.

DESCRIPTION OF ASSESSMENT AREA

The bank has one assessment area (AA) which comprises a portion of the Chicago Metropolitan Statistical Area (Chicago MSA). Within the Chicago MSA, the AA is comprised of portions of Cook, Du Page and Kane Counties. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The total population of the AA is 1,256,639 based on 1990 census data. The AA contains 217 geographies, with no low-income, five (2.3 percent) moderate-income, 94 (43.3 percent) middle-income, 116 (53.5 percent) upper-income and two (0.9 percent) geographies with no income designation. The 1990 median family income of the AA was \$53,671 and the 2000 HUD adjusted median family income was \$67,900. The AA

contains eight percent, 14 percent, 26 percent and 52 percent of low-, moderate-, middle- and upper-income families, respectively. Seventy-four percent of the housing in the AA were 1-4 family units with 70 percent owner-occupied. The median home value was \$139,086. The 2001 unadjusted seasonal unemployment rates for the three counties in the AA were 5.9 percent for Cook, 3.8 percent for Du Page and 4.9 percent for Kane. Major employers in the AA are Motorola and retailer Sears-Roebuck & Co.

The bank's competition in the AA includes community banks and branches of regional and multinational banks headquartered elsewhere in Illinois or outside Illinois. A vast majority of the businesses in the AA employ less than 50 employees.

We conducted one community contact interview during our evaluation. The contact was with the mayor for the Village of Hanover Park. The contact stated that the major credit needs are loan products for home mortgage and home improvement loans. The mayor also termed the performance of FIRST EAGLE as favorable.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

FIRST EAGLE's net loan-to-deposit ratio as of March 31, 2001 is reasonable at 82 percent. The bank's average quarterly net loan-to-deposit ratio from December 31, 1996 to December 31, 2000 was 68 percent. In comparison, the peer net loan-to-deposit ratio ranged from 55 percent to 86 percent. Peer group was chosen based on asset size range of \$175-250 million and location in the Chicago MSA. Over the last seven quarters FIRST EAGLE's net loan-to deposit ratio averaged 75 percent.

Lending in Assessment Area

FIRST EAGLE's record of lending within its AA is adequate. FIRST EAGLE requested that consumer loans the bank had made during the evaluation period be considered as part of its lending evaluation process in the AA. The following table details the bank's lending within the AA by number of loan originations and dollar volume since its last CRA evaluation.

Loans Originated in Assessment Area						
Loan Type	# in AAs	\$ in AAs	Total #	Total \$	Percent # in AAs	Percent \$ in AAs
		(000 omitted)		(000 omitted)		
Home Purchase*	26	\$2,883	64	\$11,648	40.6%	24.8%
Home Refinance*	14	\$2,294	39	\$7,490	35.9%	30.6%
Home Improve*	39	\$887	45	\$1,340	86.7%	66.2%
Total HMDA* **	80	\$6,259	151	\$21,379	53.0%	29.3%
Consumer***	17	\$194	20	\$238	85.0%	81.8%
Business/Commercial***	12	\$1,702	20	\$2,604	60.0%	65.3%

* Represents loans originated in 1997, 1998, 1999 and 2000 as reported under the Home Mortgage Disclosure Act.

** Includes multi-family originations.

*** Represents sample of 20 loans selected.

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

The bank's record of extending credit to individuals of different income levels reflects good lending to low- and moderate-income people within the AA. The bank's record of lending to small businesses of different sizes is poor, which is reflective of performance at a needs-to-improve level.

HMDA Loan Originations -

The borrower distribution of home purchase loans is good. Home purchase loans made to low-income borrowers at 7.7 percent were below the 8.4 percentage of low-income families in the AA. However, the 26.9 percentage of home purchase loans made to moderate-income borrowers significantly exceeded the 13.9 percentage of moderate-income families within the AA. Since the last CRA evaluation, the bank made 26 home purchase loans within the AA. Two of those loans (7.7 percent) totaling \$290 thousand were made to low-income borrowers and seven loans (26.9 percent) totaling \$548 thousand were made to moderate-income borrowers.

The borrower distribution of home refinance loans is adequate. FIRST EAGLE made no home refinance loans to low-income borrowers. However, home refinance loans made to moderate-income borrowers at 14.3 percent exceeded the 13.9 percentage of moderate-income families in the AA. Since the last CRA evaluation, the bank made 14 home refinance loans within the AA. Two of those loans (14.3 percent) totaling \$256 thousand were made to moderate-income borrowers.

The borrower distribution of home improvement loans is excellent. Home improvement loans made to low-income borrowers at 10.3 percent exceeded the 8.4 percentage of low-income families in the AA. Home improvement loans made to moderate-income borrowers at 23.1 percent significantly exceeded the 13.9 percentage of moderate-income families in the AA. Since the last CRA evaluation, the bank made 39 home improvement loans in the AA. Four of those loans (10.3 percent) totaling \$73 thousand were made to low-income borrowers and nine loans (23.1 percent) totaling \$130 thousand were made to moderate-income borrowers.

Borrower Income Level	Percentage of HMDA Loans								Percentage of Families in AA
	Home Purchase*		Home Improvement*		Home Refinance*		All Mortgage Loans* **		
	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	
Low	7.7	10.1	10.3	8.2	0	0	7.5	5.8	8.4%
Moderate	26.9	19.0	23.1	14.7	14.3	11.2	22.5	14.9	13.9%
Middle	11.5	7.3	25.6	25.3	35.7	31.0	22.5	18.3	25.8%
Upper	34.6	31.2	35.9	50.7	50.0	57.8	37.5	42.8	51.9%
Not Avail.	19.2	32.4	5.1	1.1	0	0	10.0	18.2	

* Represents loans originated in 1997, 1998, 1999 and 2000 as reported under the Home Mortgage Disclosure Act.

** Includes multi-family originations

Commercial Loan Originations -

The borrower distribution of commercial loans within the AA is poor, which is reflective of performance at a needs-to-improve level. A sample of 20 commercial loans made in the AA since the previous CRA evaluations were chosen for analysis. Distribution analysis revealed that the seven loans (35 percent) totaling \$1,391,635 of the sample were made to businesses with annual revenues of less than \$1 million. This is significantly below the 98 percentage of businesses with revenues of \$1 million or less in the AA. Gross revenue information for three (15 percent) of the 20 loans sampled was not available.

Lending to Businesses of Different Sizes								
Revenue Ranges	\$1 Million or Less				Greater than \$1 Million			
	#	percent	\$ (000s)	percent	#	percent	\$ (000s)	percent
Total	7	35.0%	1,392	28.5%	10	50.0%	2,973	60.9%

Consumer Loan Originations -

The borrower distribution of consumer loans in the AA is excellent. A sample of 20 consumer loans made within the AA since the previous CRA evaluation was chosen for distribution analysis. Analysis of the sample revealed that the consumer loans made to low-income borrowers, in terms of number, at 15 percent exceeded the 11.4 percentage of low-income households in the AA. Similarly, the 25 percent of consumer loans made to moderate-income borrowers significantly exceeded the 12.9 percent percentage of moderate-income households in the AA. In terms of dollars, the three consumer loans made to borrowers with gross income in the low-income category represented 6.5 percent of the total dollar volume of the sample. The five consumer loans made to moderate-income borrowers represented approximately 30 percent of the same sample.

Borrower Income Level	Percentage of Consumer Loans				Percentage of Households in AA
	#	percent	\$ (000s)	percent	
Low	3	15.0%	16	6.5%	11.4
Moderate	5	25.0%	74	30.1%	12.9
Middle	9	45.0%	119	48.3%	21.4
Upper	3	15.0%	37	15.2%	54.3

Geographic Distribution of Loans

FIRST EAGLE's AA is made up of 217 geographies with no low-income geographies, five (2 percent) moderate-income geographies, 94 (43 percent) middle-income geographies, 116 (53 percent) upper-income geographies, and two (1 percent) geographies with no income level designations.

The geographic distribution of the bank's home mortgage loans, commercial loans, and consumer loans reflects an adequate penetration throughout the AA. Although the home mortgage lending performance in moderate-income geographies is below the percentage of owner-occupied housing units in those geographies, the number of owner occupied units located in those geographies is less than one percent of all owner occupied units in the AA. In addition, none of the moderate-income geographies in the AA are in close proximity to the bank's one location. The limited number of businesses and households located in the moderate-income geographies, similarly, impacts FIRST EAGLE's commercial and consumer lending performances respectively.

HMDA Loan Originations -

The geographic distribution of home purchase loans within the AA is adequate. There are no low-income and only five moderate-income geographies in the AA. FIRST EAGLE made no home purchase loans in moderate-income geographies. Despite this, the lending performance is considered adequate since only 3,010 (less than 1 percent) owner occupied units in the AA are located in those geographies. Also, none of the moderate-income geographies in the AA are in close proximity to the bank's single location.

The geographic distribution of home refinance loans within the AA is adequate. As indicated previously, the bank's AA has no low- and five moderate-income geographies. FIRST EAGLE made no home refinance loans in the moderate-income geographies, and, as indicated previously, the lending performance is directly impacted by the limited number of owner occupied units in the geographies and lack of close proximity of moderate-income geographies to the bank's single location.

The geographic distribution of home improvement loans within the AA is adequate. FIRST EAGLE made no home improvement loans in the moderate-income geographies. Once again the bank's performance is considered adequate due to the limited number of owner occupied units and locations of moderate-income geographies in relation to the bank's office location.

Census Tract Income Level	Percentage of HMDA Loans								Percentage of Owner-Occupied Units in AA
	Home Purchase*		Home Improvement*		Home Refinance*		All Mortgage Loans* **		
	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	
Low	0	0	0	0	0	0	0	0	0
Moderate	0	0	0	0	0	0	0	0	0.9
Middle	34.6	36.8	33.3	30.3	28.6	23.3	33.8	32.9	39.3
Upper	65.4	63.2	66.7	69.7	71.4	76.7	66.3	67.1	59.8

* Represents loans originated in 1997, 1998, 1999 and 2000 as reported under the Home Mortgage Disclosure Act.

** Includes multi-family originations

Commercial Loan Originations -

The geographic distribution of commercial loans is adequate. The geographic analysis of commercial loans was based on a sample of 20 loans made within the AA since the previous CRA evaluation. None of the sampled loans were made in moderate-income geographies. This is considered reasonable since less than 1,600 (2.7 percent) out of approximately 58,000 businesses in the AA are located in those geographies and none of the moderate-income geographies are in close proximity to the bank's single location.

Consumer Loan Originations -

The geographic distribution of consumer loans is adequate. The geographic analysis of consumer loans was based on a sample of 20 loans made within the AA since the previous CRA evaluation. None of the sampled loans were made in moderate-income geographies. This is considered reasonable since approximately 6,000 (1.3 percent) out of approximately 449,000 households in the AA are located in the moderate-income geographies and none of the moderate-income geographies are in close proximity to the bank's one location.

Responses to Complaints

FIRST EAGLE has not received any written complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

Community Development Loan

FIRST EAGLE, as a part of this evaluation process, requested that community development (CD) loans made by the bank be considered as part of its lending in the AA. One of those loans qualified as meeting the definition of CD lending. FIRST EAGLE extended an \$83 thousand below market loan to a local non-profit organization. The purpose of the loan was to acquire an existing home, rehab it and sell it to a low-income family. Based on the amount of the loan, the size and resources of the bank, CD lending had a neutral impact on both the bank's lending performance and its overall rating.

Qualifying Investments

FIRST EAGLE also requested that certain investments made by the bank during the evaluation period be considered in the overall rating process. FIRST EAGLE invested \$360 thousand in a local equity fund during the evaluation period. The equity fund was set up as a not-for-profit corporation with local corporations and financial institutions as limited partners. Since the purpose of the fund was to invest in low-income housing projects in the Chicago area, it met the definition of a qualified investment. Based on the amount invested, the size and resources of the bank, the qualifying investment had a positive impact on the overall rating of the bank.

Fair Lending Review

An analysis of recent public comments, consumer complaint information, and Home Mortgage Disclosure Act (HMDA) lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed September 26, 1996.