



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 1, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Illinois
Charter Number 14512**

**3256 Ridge Road
Lansing, Illinois 60438**

Office of the Comptroller of the Currency

**Chicago South Field Office
7600 S. County Line Rd, #3
Burr Ridge, IL 60527**

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.

- The bank's loan-to-deposit ratio is more than reasonable.
- Lending in the bank's assessment areas (AAs) exceeds the standard for satisfactory performance.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- Borrower distribution to businesses in the AAs is reasonable.
- There are no complaints on file relating to the bank's Community Reinvestment Act performance.
- The bank has an excellent level of Community Development (CD) loans, investments and services.

SCOPE OF EXAMINATION

Evaluation Period/Products Evaluated

The evaluation period for the Lending Test was January 1, 2004, through December 31, 2006. Under the Lending Test, small loans to businesses were evaluated. The Community Development Test evaluation period was March 8, 2004, to October 1, 2007. Under the Community Development Test, CD Loans, Investments and Services were evaluated.

The First National Bank of Illinois (FNBI) has two assessment areas. One is in Cook County, Illinois and one is in Will County, Illinois. Both AAs are in the Chicago metropolitan area (MA 1600) and the counties are contiguous political subdivisions. The AAs were combined for analysis purposes and will be referred to as one AA throughout this evaluation. The ratings are based on conclusions reached in the evaluation of FNBI's performance in this full-scope AA.

FNBI's home mortgage activity for this period will not be evaluated. The bank has changed its strategy and primarily focuses on small business lending. For this reason an evaluation of the bank's home mortgage activity would not be meaningful.

DESCRIPTION OF INSTITUTION

First National Bank of Illinois (FNBI) is a nationally chartered bank headquartered in Lansing, Illinois. FNBI is a wholly owned subsidiary of First Lansing Bancorp, Inc., a \$365 million, one-

bank holding company also located in Lansing, Illinois. Through common ownership, FNBI is affiliated with Home State Bancorp, Inc. (Home State Bank, N.A).

FNBI is an intrastate bank which operates seven bank offices in Illinois, in the far southeast portion of Cook County and the northeast portion of Will County. The bank's full-service offices are in the following locations: one in Lansing, one in Lynwood, one in South Holland, one in Joliet, one in Mokena, one in Shorewood, and one in Plainfield.

All of the bank's offices are full-service facilities offering a full range of traditional banking products. Offices are located throughout the AA. There are 2 low-income and 22 moderate-income geographies in the bank's AA. There are also 40 middle-income and 16 upper-income geographies in FNBI's AA. During the evaluation period, FNBI closed one of its Lansing branches and replaced it with a branch located in South Holland, Illinois. FNBI has 15 automated teller machines (ATMs), all located in the AA. Eight of these ATMs are full service and seven are cash dispensing only. Other alternative banking delivery systems include Telephone Banking, Bank by Mail, Internet Banking, and a 24-hour automated bank by computer service. Office hours vary between branches; however, there is no significant impact on low- or moderate-income individuals. The following table details the bank's branch and ATM distribution by census tract income.

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts in AA		Full-Service Offices		Automated Teller Machines*	
	#	%	#	%	#	%
Low	2	2.22%	0	0.00%	0	0.00%
Moderate	22	24.44%	2	25%	2	13.33%
Middle	41	45.56%	3	37.50%	9	60.00%
Upper	25	27.78%	3	37.50%	4	26.67%
NA	0	0.00%	0	0.00%	0	0.00%
Total	90	100.00%	8	100.00%	15	100.00%

***Includes all branch locations, convenient banking locations, and drive-up locations.*

FNBI is primarily considered a commercial bank. During this evaluation period, the bank changed their business strategy to focus primarily on construction, development and commercial lending. We will not be analyzing the bank's home mortgage data, as this is no longer a focus of the banks lending strategy. Therefore, an analysis of home mortgage lending would not be meaningful.

As of December 31, 2006, FNBI had total assets of approximately \$357 million, total loans of \$200 million, total deposits of \$291 million, and Tier one capital of \$37 million. The bank offers traditional commercial and retail lending services. Approximately 24 percent of the bank's loans are residential mortgage loans; 34 percent are commercial loans and commercial real estate loans; 37 percent are construction and land development loans; and 5 percent are loans to individuals. FNBI is not an agricultural lender.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in the bank's AA. FNBI was rated "**Outstanding**" using large bank CRA examination procedures at its last CRA evaluation, dated March 8, 2004.

DESCRIPTION OF ASSESSMENT AREA

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Demographic information for full Scope Area: First National Bank of Illinois						
Geographies (Census Tracts/BNAs)	80	2.50	27.50	50.00	20.00	0.00
Population by Geography	479,471	1.35	20.25	47.58	30.82	0.00
Owner-Occupied Housing by Geography	130,012	0.57	15.36	50.52	33.55	0.00
Business by Geography	26,287	0.95	18.80	40.69	39.56	0.00
Farms by Geography	589	0.17	12.39	42.44	44.99	0.00
Family Distribution by Income Level	124,111	16.21	18.04	25.28	40.46	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	42,510	2.57	31.31	51.88	14.24	0.00
Median Family Income		60,166	Median Housing Value		134,319	
HUD Adjusted Median Family Income for 2006		72,100	Unemployment Rate (2000 US Census)		2.69%	
Households Below Poverty Level		7%				

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2006 HUD updated MFI and the US Dept. Of Labor – Bureau of Labor Statistics

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

FNBI's AA consists of 80 geographies. The AA is consistent with CRA regulatory requirements and does not arbitrarily exclude low- and moderate-income geographies. The AA includes geographies in which the bank has its branches and where a substantial portion of the bank's loans have been originated. FNBI operates 7 bank branches. The bank does not have a presence in low-income geographies; however, their presence in moderate-income geographies within the AA is more than reasonable (25%). Of the 7 bank locations, 2 are located in moderate-income geographies; 3 are located in middle-income geographies; and 2 are located in upper-income geographies.

According to the 2000 Census, the total population of the AA is 479,471. The population is located 1.35 percent in low-income geographies, 20.25 percent in moderate-income geographies, 47.58 percent in middle-income geographies, and 30.82 percent in upper-income geographies.

According to the 2000 Census, the bank's AA has a total of 124,111 families who are 16.21 percent low-income, 18.04 percent moderate-income, 25.28 percent middle-income, and 40.46 percent upper-income. Approximately 7 percent of the population within the bank's AA falls below the poverty level. Based on the Department of Housing and Urban Development, the adjusted median family income figure of \$72,100 was used to determine the borrowers' income levels for the AA in 2006.

Local banking competition is aggressive and includes affiliates of large national banking companies, regional banks, numerous small community banks, credit unions, and non-bank financial service providers. FNBI ranks 67 out 204 financial institutions and has a deposit market share of 0.15 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

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

Loan-to-Deposit Ratio

FNBI’s loan-to-deposit ratio is more than reasonable at 86.75 percent and exceeds the standard for satisfactory performance. The average quarterly loan-to-deposit ratio from June 30, 2003, through June 30, 2007, was 65.21 percent. The bank’s loan-to-deposit ratio has been steadily increasing since September 2003, going from 66.90 percent to 86.75 percent in June 2007. The bank’s loan-to-deposit ratios were compared with four similarly sized institutions with total assets ranging from \$350 million to \$538 million. Refer to the table below for comparative data.

Loan-To-Deposit Ratios		
Institution	Total Assets (millions) (As of 06/30/07)	Loan –to- Deposit Ratio
Mount Prospect National Bank	\$538	118.21%
Community Savings Bank	\$381	100.92%
Heritage Bank	\$331	107.25%
George Washington Savings Bank	\$350	111.85%
First National Bank of Illinois	\$366	86.75%

Source: FFIEC Call Report Data as of June 2007

Lending in Assessment Area

As noted earlier in this document, the institution has changed it’s business strategy to focus on small business lending. Regarding residential loans, the bank continues to accept applications and prepare documentation for all residential loans. However, loans exceeding a 15 year maturity are primarily given to other investors to book and service. The bank continues to make and service residential mortgages for loans less than 15 years in maturity.

FNBI’s lending in its AA exceeds the standard for satisfactory performance. A substantial majority of the number and dollar amount of the small business loans were originated within the bank’s AA. As depicted in the table below, 61 percent of the small business loans were in the bank’s assessment area while 39 percent were outside the AA.

Lending in FNBI's AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business**	230	61.17	146	38.83		\$47,078	57.66	34,565	42.34	

** Based on Small Business data reported 2004 through 2006

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

FNBI's lending to businesses of different sizes in its AA is reasonable given the demographics of the AA.

FNBI's borrower distribution of small business loans is reasonable. Loans to businesses with revenues of \$1 million or less represents 56.24 percent of the loans to businesses, which is below the 68.67 percent of the area's businesses reporting revenues of less than \$1 million. However, it is noted that the bank provides 55.65 percent of its loans to small businesses to businesses with loan needs of less than \$100 thousand.

During a discussion with one of the Lansing community municipal planning directors, it was stated that the primary need for the area is small business growth, start-ups and business expansions. For the last three years, construction on highways I-80 and I-94 has put a tremendous burden on some of the smaller businesses in the area. Many businesses lost their market due to inconvenient access to their locations. This resulted in many small business closures in the area, approximately 30 out of 160 businesses (19 percent). The overall economy has slowed due to job losses and real estate declines. This has caused declining home sales and financial strains for homeowners, resulting in rising foreclosures. This trend is noted throughout the AA. In the Lansing area, it has affected housing stock of approximately 11,000 homes with approximately 300 foreclosures (3 percent) year to date. The Director, however, indicated that the financial institutions in the area were responsive to the needs of the community. It was further indicated that the financial institutions in the area are very active in the community, as well as in the development of small businesses in the area. Some of the lending institutions offer alternative financing and credit workshops to assist business and homeowners. The official specifically noted FNBI as one of the leading banks in offering programs to assist the community. As noted in the chart below, FNBI has participated in smaller loans to businesses. The bank has addressed the needs of small businesses in a reasonable manner.

2004 – 2006 Borrower Distribution of Loans to Businesses in FNBI's AA				
Business Revenues (or Sales)	Businesses with Revenues of \$1million or less	Loans by original Amount Regardless of Business size		
		<\$100	\$100-250	250-\$1,000,000
% of AA Businesses	68.67%*			
% of Bank Loans in AA by #	51.74%	55.65%	15.65%	28.70%

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA. FNBI's geographic distribution of small business loans is reasonable.

The geographic distribution of small business loans is reasonable. The bank did not originate any small business loans in the low-income geographies. However, less than 1 percent of the businesses in the AA is located in the low-income tracts, as shown in the below graph. The bank's distribution of small business loans in moderate-income geographies is adequate at 15.65 percent compared to the percentage of small businesses in those geographies (18.80 percent). The bank has few opportunities due to competition from larger institutions in the area. FNBI ranks 57 out of 204 lenders with an overall market share of 4 percent. The three largest competitors have a combined market share of 65%. The table below summarizes FNBI's small business lending.

2004 – 2006 Geographic Distribution of Loans to Businesses in FNBI's AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0.95		18.80		40.69		39.56	
LOANS	% of Number	% of Amount						
Small Business Loans	0.00%	0.00	15.65%	22.40%	70.87%	66.58%	13.48%	11.02%

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

The bank's community development performance demonstrates excellent responsiveness to community development needs in its AA through community development loans, qualified investments and community development services.

FNBI has demonstrated excellent responsiveness to the community development needs of its assessment area. Examples of FNBI's responsiveness to community development needs include:

- \$8.2 million in community development loans. These loans were made to organizations that target low- and moderate-income individuals, families or areas and small business development.
- \$8.3 million in new (acquired since the last CRA exam) qualifying investments.

Number and Amount of Community Development Loans

During the evaluation period, FNBI extended a significant amount of community development loans. Examples of the twenty two community development loans, totaling approximately \$8.2 million, are listed below:

- Six loans, totaling \$4.1 million, to not-for-profit organizations that provide services to low- and moderate-income individuals, including groups that fund rehabilitation of residential low- and moderate-income neighborhoods.
- A loan, totaling \$2.3 million, to provide a state agency funding to erect, in a low-income geography, an Employment Security office focused on bringing jobs into the area along with job training in low- and moderate-income geographies.
- One loan, totaling \$100 thousand, to a local community development corporation (CDC) that provides assistance to small businesses and affordable housing for low- and moderate-income individuals.
- Three loans, totaling \$410 thousand, to organizations primarily serving mentally and physically disabled, low- and moderate-income individuals to provide social services and affordable housing.
- Eight loans, totaling \$698 thousand, for the rehabilitation and renovation of properties in low- and moderate-income geographies to revitalize and stabilize the city of Joliet.
- Three loans, totaling \$600 thousand, to provide shelter and food to homeless individuals.

Number and Amount of Qualified Investments and Donations

- FNBI purchased \$8.2 million in 19 municipal school bonds, benefiting five school districts. The bonds are to benefit schools within the bank's assessment area where the majority of students are from low- or moderate-income households. All school districts are in low- or moderate-income areas and are comprised primarily (between 75% and 90%) of students eligible for free or reduced-price lunch programs.

During the evaluation period, FNBI provided 43 donations totaling \$22 thousand to various organizations in the AA that qualify as community development investments. Included in this total is \$4 thousand donated to a Hurricane Katrina Relief Fund, which also qualifies as a CRA investment.

Extent to Which the Bank Provides Community Development Services

The bank's retail services are excellent. FNBI has seven banking locations. Two in Lansing, one in Lynwood, one in Joliet, one in Mokena, one in Shorewood, one in South Holland, and one in Plainfield.

The bank has added two locations (25 percent) that are in moderate income geographies (South Holland and Joliet). The 2000 Demographic Census Data reveals that 36 percent of low-income families reside in the moderate-income geographies and 50 percent live in the middle-income geographies. Moderate-income families reside primarily in the moderate-income (27 percent) and the middle-income geographies (54 percent). Lobby hours and services provide good accessibility for all bank customers. Four of the bank's locations are accessible by public transportation.

The distribution of automated teller machines (ATMs) is good. FNBI operates fifteen ATMs in their assessment area, eight of which are full service. FNBI offers other alternate delivery systems, which include Telephone Banking, Bank by Mail and Internet Banking, a 24-hour automated bank by computer service. FNBI, however, does not monitor the usage of these alternative delivery services by low- and moderate-income individuals. Therefore, we did not place any weight on these alternative systems when drawing our CRA performance conclusions.

FNBI's performance in providing community development services in the assessment area is more than reasonable. Several officers and employees of FNBI serve on the boards of directors or as officers of various community development service organizations and outreach programs. Those programs include providing financial expertise, in the form of assistance in approving loan requests to qualified small business development corporations and organizations, and providing input in fundraising initiatives. These services are provided to corporations and organizations targeting low- and moderate-income individuals.

Programs of participation and involvement include:

- Credit Repair Seminar – held at South Suburban College facilitated by FNBI. Participants were educated on how to interpret the accuracy of their credit reports, how to mend past credit problems, etc. Primarily provided to low- and moderate-income participants.
- “Back on Track Loan”- a product designed to assist individuals with credit problems by providing a \$1000 loan, put into a saving account for the individual at FNBI. The loan is to be repaid on a monthly basis for 12 months. After that period the participant has access to the funds plus interest. This program assists individuals, improving their credit scores. There is no credit check required for this program. This program has attracted moderate-income individuals.
- FNBI participates in the Illinois and Indiana Interest on Lawyer Trust Accounts (IOLTA) programs. Interest proceeds are automatically paid to the Indiana Bar Foundation to support law-related charitable purposes, primarily pro bono, civil legal services to persons of limited means. Disbursements from the IOLTA fund are made to organizations providing civil legal services to persons of limited means, such as those organizations assisting low- and moderate-income individuals with housing, income maintenance, and other consumer issues that can adversely impact credit scores. The availability of legal services to low- and moderate-income persons is often directly related to their ability to obtain credit and maintain housing.

Service by FNBI Officers

- One FNBI Officer serves as a member of an affordable housing committee that provides expertise to first time homebuyers. The Officer provides educational seminars on that subject.
- Another Officer serves as a director on a scholarship committee for a local school. The committee manages funding that provides the opportunity for individuals from low- and moderate-income communities within the AA to gain a college education.
- Another Officer served as a consultant to assist a not-for-profit organization obtain a designation, allowing it to access funding to promote homeownership within low- and moderate-income communities in the AA. That Officer also conducts seminars at the community center to provide assistance to first time homebuyers in buying, financing, and closing on a home purchase. In addition, that Officer works with individuals within

that community who desire to establish or enhance a small business. As a result of these activities, four new businesses were created in moderate-income geographies.

- Another FNBI Officer is a chairman of a not-for-profit organization whose primary purpose is to provide behavioral health care services to primarily low- and moderate-income individuals and families.
- One FNBI Officer is on the Board of South Suburban College Foundation. The foundation members solicit donations and grants that provide scholarships to individuals from low- and moderate-income communities within the district.

Responsiveness to Community Development Needs

During our examination, we contacted one community organization that operates in the assessment area. The individual contacted is the director of planning and development for the Village of Lansing. The contact indicated financial institutions and lenders are very active in the community and committed to affordable housing and small business development.

The contact stated that FBNI has been very involved with the community.

The contact noted that local financial institutions and lenders are receptive and willing to assist the community and are committed to the development of these communities. The contact said the local financial institutions work with organizations to provide seminars about the financial products that are available to address local housing needs.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.