



---

Comptroller of the Currency  
Administrator of National Banks

**SMALL BANK**

---

## **PUBLIC DISCLOSURE**

**May 9, 2011**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of Brookfield  
Charter Number 14993**

**9136 Washington Avenue  
Brookfield, IL 60513**

**Comptroller of the Currency  
Chicago South Field Office  
2001 Butterfield Road, Suite 400  
Downers Grove, IL 60515**

**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 Brookfield (FNBB) has a satisfactory record of meeting community credit needs. The major factors supporting this rating are:

- The bank's average quarterly loan-to-deposit (LTD) ratio for the period since the previous CRA exam is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- The bank originates a majority of their primary loan products inside the bank's AA.
- The bank'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 and local economic conditions.
- There are no adverse complaints regarding the banks CRA performance.

### **Scope of the Examination**

This CRA Performance Evaluation is an assessment of FNBB's ability to meet the credit needs of its community. This evaluation is based on 2000 U.S. Census demographic information. Conclusions regarding the Lending Test are based on the data reported under the Home Mortgage Disclosure Act and a sample of 60 loans to small business from bank records of loans originated during January 1, 2008 through December 31, 2010, utilizing 2000 Census data. FNBB is not required to report CRA data on small business lending.

FNBB has two AA's where a majority of the bank's loans and deposits are generated. The bank's two assessment areas contain a total of 76 geographies located in the Chicago-Joliet-Naperville, IL Metropolitan Statistical Area (MSA). FNBB is an intrastate financial institution with offices serving portions of Cook, DuPage, Will, and Kane Counties. All of the counties are contiguous and in the same MSA. The lending test is based on FNBB's primary loan products.

### **DESCRIPTION OF INSTITUTION**

FNBB is a nationally chartered bank located in the Village of Brookfield, Illinois, approximately 13 miles southwest of the City of Chicago. FNBB is a wholly owned subsidiary of First Brookfield Inc., a \$184 million, one-bank holding company also located in Brookfield, Illinois. The bank's business strategy is to provide its customers with a full range of products and services consistent with the community needs. For the period of this evaluation, the bank operated two locations, the main office and one branch in Naperville, Illinois, known as the First National Bank of Naperville. The bank also operated three deposit taking automated teller machines (ATM), two at the Brookfield location and one at the Naperville branch. In October 2010, the bank made the decision to sell the Naperville location, eliminating their presence in that AA. As of December 31, 2010, FNBB had total assets of \$180 million, total loans of \$125 million, and total deposits of \$168 million. The loan to deposit ratio was eighty-four percent.

<b>Distribution of Bank Offices and ATM's by Geographies</b>						
<b>Census Tract Income Level</b>	<b>Tracts in AA</b>		<b>Full-Service Offices</b>		<b>Automated Teller Machines</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	NA	NA	NA	NA	NA	NA
Moderate	1	1.31%	0	0	0	0
Middle	32	42.11%	1	50.00%	2	66.67%
Upper	43	56.58%	1	50.00%	1	33.33%
NA	0	0.00%	0	0.00%	0	0.00%
<b>Total</b>	<b>76</b>	<b>100.00%</b>	<b>2</b>	<b>100.00%</b>	<b>0</b>	<b>100.00%</b>

FNBB’s two primary lending products are commercial and residential real estate loans. These two lending categories account for 87 percent of all loan originations during the evaluation period. Consumer lending is not a primary loan product, accounting for 13 percent of the originations during the evaluation period. The table below illustrates the composition of loan originations made from January 2008 through December 31, 2010.

<b>Loan Originations by Loan Type from January 1, 2008 through December 31, 2010</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Loans	\$60,232	46%
Residential Loans	\$53,988	41%
Consumer Loans	\$16,347	13%
<b>Total Originations</b>	<b>\$130,567</b>	<b>100%</b>

Source: Bank Records from January 1, 2008 through December 31, 2010

As of December 31, 2010 the bank reported \$125 million in outstanding loans and represents sixty-nine percent of total assets. The loan portfolio consists of:

<b>Loan Portfolio Summary by Loan Type December 31, 2010</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Commercial Loans	\$40,008	32%
Construction & Land Development	\$6,111	5%
Residential Loans	\$78,031	63%
*Consumer & Other	\$750	*
<b>Total Loans</b>	<b>\$124,900</b>	<b>100%</b>

Source: December 31, 2010 Call Report. \*Consumer and Other Loans represent less than 1 percent of the loan portfolio.

There are no legal impediments to FNBB’s ability to help meet the credit and service needs of its AA; however, the bank’s ability to lend during this evaluation period has been impacted by weakened earnings and strong competition in the AA. The bank’s last CRA rating, which was as an

Intermediate Small Bank, was “Needs to Improve” as detailed in the performance evaluation dated March 31, 2008. As of December 31, 2010, FNBB’s Tier 1 Capital level was \$11.9 million, representing 6.25 percent of average assets.

## DESCRIPTION OF ASSESSMENT AREA

FNBB has two AA’s which include portions of Will, Cook, and DuPage Counties, and one census tract geography in Kane County, IL. The bank’s AA has not changed from the prior evaluation. The AA’s are located in the Chicago-Joliet-Naperville, IL MSA and consists of 76 geographies. As all counties are contiguous and in the same MSA, the bank’s two assessment areas have been combined for this analysis. The main office in Brookfield is located in Cook County. It contains 26 geographies with 19 middle-income and 7 upper-income geographies. This is an older, developed community with limited opportunities for new housing or new businesses. The population is generally well established and mature. The Naperville branch is located in DuPage County. This assessment area has 1 moderate-income census tract, 13 middle-income geographies and 36 upper-income geographies. The assessment area includes the geographies in which the bank has its branches and where a majority of the bank’s loans have been originated. There are no low-income geographies in the bank’s combined assessment area.

According to our community contact, a local government official, current economic conditions and high unemployment have negatively impacted the area. Also according to our community contact, there is a need for small consumer loans, especially to seniors, for home repairs.

The bank’s CRA AA is consistent with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The table below provides basic demographic information based on the income level of geographies and families within the assessment area.

**First National Bank of Brookfield Combined AA 2011 Evaluation**

Demographic Information for Full Scope Area: Brookfield Combined AA 2011 Evaluation						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	76	0.00	1.32	42.11	56.58	0.00
Population by Geography	504,803	0.00	1.45	34.46	64.09	0.00
Owner-Occupied Housing by Geography	140,477	0.00	1.20	32.65	66.15	0.00
Business by Geography	35,149	0.00	1.27	27.70	71.03	0.00
Farms by Geography	560	0.00	1.43	24.64	73.93	0.00
Family Distribution by Income Level	132,842	8.62	12.08	21.89	57.42	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	27,492	0.00	3.70	52.47	43.83	0.00
Median Family Income HUD Adjusted Median Family Income for 2010 Households Below Poverty Level		60,166 74,700 3%	Median Housing Value Unemployment Rate (Dept. of Labor 2010)	192,814 10.5%		

(\* ) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 US Census and 2010 HUD updated MFI

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNBB's average loan-to-deposit (LTD) ratio is reasonable and meets the standard given the bank's size, financial condition, and AA credit needs.

### Loan-to-Deposit Ratio

FNBB's quarterly average LTD ratio for the period of December 31, 2007, to December 31, 2010, was 83.79 percent. During this period, the ratio had a quarterly high of 94.92 percent and a quarterly low of 71.67 percent. The bank's LTD ratio for December 31, 2010, was 72.26 percent. The average quarterly LTD ratio during the review period of fifteen similarly situated banks was 82.09 percent. These financial institutions are community banks with total assets ranging from \$160 million to \$241 million located in the same vicinity as FNBB.

### Lending in Assessment Area

FNBB's lending in its AA's is reasonable and meets the standard for satisfactory performance. A majority of the number and dollar amount of small business loans and home purchase loans were originated within the bank's AA's.

<b>Lending in FNBB's AA's</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business	44	76%	14	24%	58	\$13,463	87%	\$2,071	13%	\$15,534
Home Mortgage	58	64%	33	36%	91	\$10,753	56%	\$8,326	44%	\$19,079
<b>Totals</b>	<b>102</b>	<b>68%</b>	<b>47</b>	<b>32%</b>	<b>149</b>	<b>\$24,216</b>	<b>70%</b>	<b>\$10,397</b>	<b>30%</b>	<b>\$34,613</b>

*Source: Reported HMDA data from 2008, 2009 and 2010. Bank records for sample of 58 small business loans originated during the evaluation period.*

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

FNBB's borrower distribution of home mortgage loans and loans to businesses with revenues less than \$1 million is reasonable and meets the standard for satisfactory performance.

#### Borrower Distribution of Home Mortgage Loans

The bank's overall distribution of home mortgage loans to low-income families is reasonable. The percentage of the number of the bank's home purchase loans originated exceeds the percentage of low-income families. However, the bank did not make any home improvement or home refinance loans to low-income borrowers. Opportunity to make home mortgage loans to low-income borrowers is very limited due to strong competition, the poverty level, the average median housing cost, and current economic and unemployment conditions. Three percent of these families are at or below the poverty level. The median housing value is \$193 thousand dollars; home prices in the area

often exceed the amount for which low-income individuals can qualify to borrow. The current state unemployment rate is 8.7 percent; the average unemployment rate for the majority of the bank's AA is 10.5 percent.

The bank's distribution of home mortgage loans to moderate-income families is excellent. The percentage of home purchase loans to moderate-income borrowers is near the percentage of moderate-income families in the AA. The bank's percentage of home improvement and home refinance loans to moderate-income borrowers is excellent, as they exceed the percentage of moderate-income families in the assessment area.

<b>Borrower Distribution of Residential Real Estate Loans in FNBB's AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Home Purchase	8.62%	11.11	12.08%	11.11%	21.89%	33.33%	57.42%	44.44%
Home Improvement	8.62%	0%	12.08%	12.50%	21.89%	37.50%	57.42%	50.00%
Home Refinance	8.62%	0%	12.08%	13.64%	21.89%	13.64%	57.42%	72.73%

Source: Data reported under 2008, 2009 and 2010 HMDA; 2000 U.S. Census data \*As a percentage of loans with borrower income information available.

### **Borrower Distribution Small Business Loans**

The distribution of loans to businesses reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes. Based on our sample, loans to businesses with revenues of \$1 million or less represents 82 percent of FNBB's small business loans, which exceeds the percent of the AA's businesses reporting revenues of less than \$1 million. Sixty percent of the banks small loans to business are loans for less than \$200 thousand. Businesses with revenues less than a million dollars usually have need of smaller loans. The demographic data shows 77.65 percent of the businesses in the AA reporting revenue data have annual gross revenues equal to or less than one million dollars. Out of all businesses in the AA, 17.65 percent did not report revenue. FNBB's performance is consistent with the demographics of the AA.

The following tables show the distribution of small business loans among businesses of different sizes within the AAs:

<b>Borrower Distribution of Loans to Businesses of Different Sizes in the AA</b>					
Business Revenues	Number of Loans		% Businesses in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	49	82%	77.65	\$15,635	87%
>\$1,000,000	11	18%	4.65	\$2,350	13%
*NA			<b>17.70*</b>		
Total	60	100%	100%	\$17,985	100%

Source: Based on sample of 60 loans originated 2008, 2009, and 2010. 2000 US Census Data  
 (\*) The NA category consists of geographies that have not been assigned an income classification.

### **Geographic Distribution of Loans**

The geographic distribution of home mortgage loans and loans to small businesses is poor.

**Geographic Distribution of Home Mortgage Loans**

Geographic distribution of home mortgage loans in the banks AA is poor. The bank does not have any low-income geographies in its AA, and only one moderate-income geography. There is little opportunity to make home mortgage loans in the one moderate-income geography, as only 1.20% percent of the housing is owner-occupied. Opportunity is further narrowed by the banks strong competition in the area. There are 180 banks in the AA, including many large regional institutions.

**Geographic Distribution of Small Business Loans**

Geographic distribution of small business loans to businesses with revenues less than \$1 million is poor. The bank does not have any low-income geographies in its AA, and only one moderate-income geography. The bank did not make any small business loans to businesses with revenues less than \$1 million in the moderate-income geography. There is little opportunity to make small business loans in the one moderate-income geography, as only 1.27% percent of the businesses with revenues less than \$1 million are located in that geography. Opportunity is further narrowed by the strong competition from the many large credit card banks.

**Responses to Complaints**

FNBB did not receive any consumer complaints related to its CRA performance.

**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.