



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

May 15, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

DuPage National Bank

**Charter Number 15038
101 Main Street
West Chicago, Illinois 60185**

**Office of the Comptroller of the Currency
ADC - Chicago South Field Office
7600 County Line Road, Suite 3
Burr Ridge, Illinois 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.

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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 CRA performance of **DuPage National Bank** prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of May 15, 2006. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This evaluation covers the period since October 25, 1999, the date of the last CRA examination when the bank was rated "**Satisfactory Record of Meeting Community Credit Needs.**" The current evaluation reflects lending performance from January 1, 2004 through December 31, 2005.

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

DuPage National Bank demonstrates a willingness to assess the credit needs of the community and is committed to meeting those needs.

- The bank's loan-to-deposit (LTD) ratio is more than reasonable.
- Lending in the assessment area (AA) is reasonable.
- The bank's record of extending credit to individuals of different income levels is reasonable.
- The loan distribution to borrowers of different income levels is reasonable.
- The bank did not receive any consumer complaints since our last evaluation.

DESCRIPTION OF INSTITUTION

The DuPage National Bank (DNB) is located in the downtown area of the City of West Chicago, Illinois. DNB operates three full service locations, two in West Chicago, IL and more recently, one in Hinsdale, IL. The Hinsdale branch opened in July 2003. The main location is approximately 28 miles west of Chicago, IL. All three locations have drive-up facilities and ATM banking services available. All locations offer a full range of traditional banking products.

DNB has total assets of \$93 million as of December 31, 2005. DNB has grown by 63 percent since the prior CRA evaluation. DNB assets are mostly comprised of loans, which are 82 percent of total assets. Investments represent 18 percent of total assets. The table below illustrates the loan portfolio composition as of December 31, 2005.

| Loan Category | \$(000) | Percent |
|----------------------------------|----------------|----------------|
| Residential Real Estate Loans | \$43,096 | 63.09% |
| Commercial Loans | 23,193 | 33.95% |
| Construction & Development Loans | \$1,289 | 1.89% |
| Individual & Other loans | \$734 | 1.07% |
| | | |
| Total: | \$68,312 | 100% |

The bank offers a variety of traditional banking products. Loan products include consumer installment loans, automobile loans, purchase money mortgages and refinance mortgages, home equity lines of credit, commercial term loans, and letters of credits. Deposit products include various types of checking, savings, money market, certificates of deposit and NOW accounts.

DNB is wholly owned by F.F. Holding Corporation. There are no financial conditions or legal constraints that may hinder the bank's ability to meet the credit needs of its assessment area (AA). There has been no change in the bank's corporate structure since the last CRA examination. The bank's last CRA evaluation was October 25, 1999, at which time the bank received a rating of "Satisfactory record of meeting the community credit needs."

DESCRIPTION OF ASSESSMENT AREA

DNB's AA includes DuPage County, Kane County, and Cook County. The bank's AA is part of Metropolitan Area (MA) 16974. The AA is comprised of 36 census tracts. Twenty-nine are considered upper income and 7 are considered middle-income. The AA has expanded from the prior CRA evaluation by 100 percent. The previous public evaluation included 18 census tracts located in Kane and DuPage Counties. The bank chose to expand their AA due to highly competitive real estate lenders. Loan applications for 1-4 family investment type properties, originated for DNB by independent non-affiliated mortgage brokers, begun to diminish due to highly competitive and aggressive brokers operating in the bank's previously delineated area. The bank's current AA is supported by its deposit base, physical facilities and natural territory. The AA meets regulation requirements and does not arbitrarily exclude low or moderate income census tracts.

The median family income is \$91,856 based on the 2000 census data. The AA is comprised of 19.44 percent middle-income and 80.56 percent upper-income geographies. There are no low- or moderate-income geographies in the bank's AA. However, there are 7.95 percent low-income families living within the bank's AA and 10.68 percent moderate-income families. The 1-4 family units are 88 percent of total housing units within the AA, and 83 percent are owner occupied. The remaining 12 percent of housing units in the AA are multi-family units. The weighted average median housing cost is \$245 thousand. The bank identified home refinancing as a primary credit need, along with a need for affordable housing units.

Total population for the AA is 227,395 based on the 2000 census data. The unemployment rate for the AA is as follows: DuPage County (4.7 percent), Kane County (5.7 percent) and Cook County (6.5 percent). Major employers include General Mills, Jel Sert, Fermilab, Swift Meat Packaging, Liquid Container, Wrigley Gum, and Campbell Soups. The economy is considered stable. Although Jel Sert has recently reduced the number of employees in West Chicago, this has not impacted the overall economic condition of the city.

Community Contacts

A local community official was contacted. The purpose of the organization contacted is to act as an advocate for businesses and to provide opportunities for local and regional businesses in the area of training, developing valuable contacts and creating greater visibility within the community.

The contact indicated that the City of West Chicago has more industrial than retail areas. However, there are several new retail developments in the area. The city has worked with local banks and has successfully encouraged them to fund local redevelopment projects. The general banking needs of the community vary as with most communities. The contact did not identify a specific consumer credit need, but identified a service need for bilingual tellers and account representatives due to the increasing Spanish speaking population in West Chicago.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation period covers activity from January 2004 through December 2005. Overall, DNB meets the community credit needs in a manner commensurate with its size, resources, and capabilities. All home purchase loans, home improvement loans, and refinancing of mortgage loans were analyzed using data from the bank's submitted Home Mortgage Disclosure Act (HMDA) statements from 2004 and 2005. Mortgage loans were chosen for the evaluation because they are a large majority of the bank's loan portfolio.

Loan- to- Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is more than reasonable. DNB's LTD ratio is high and has been trending upward since our last evaluation. The bank's LTD ratio as of December 31, 2005 is 105 percent. DNB's quarterly average LTD ratio for the period from December 31, 1999 through December 31, 2005 is 99 percent. This is an increase from the 72 percent quarterly average LTD ratio during the previous evaluation period. The LTD ratios for banks of similar asset size in the AA range from an average of 80 percent to 93 percent.

Lending in Assessment Area

DNB's primary loan type is home mortgages (purchase, refinance, and home improvement). These loan types constitute a significant volume of the bank's lending mix. Residential loans comprise 63 percent of the bank's portfolio, and commercial and commercial real estate loans comprise 34 percent.

Lending in the AA is reasonable. Only 35 percent of home purchase loans were originated or purchased within DNB's AA over the evaluation period. As detailed below, the bank provided more refinance loans, 43 percent of the total residential real estate loans, during this period. However, it is also noted the bank provided 57 percent in this category outside its AA. West Chicago is considered a stable area with growth being focused on commercial development. Additionally, there are also over 500 larger financial institutions in the bank's AA, therefore competition is very strong. The following table details the bank's lending within the AA by number of loan originations and dollar volume for the evaluation period.

| Lending in Assessment Area 2004- 2005 | | | | | | | | | | |
|--|-----------------|------|---------|-----|-------|--------------------------------|------|---------|-----|--------|
| Loan Type | Number of Loans | | | | | Dollars of Loans (000 omitted) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Purchase* | 11 | 24% | 34 | 76% | 100% | 4,661 | 23% | 15,301 | 77% | 19,962 |
| Home Refinance* | 20 | 43% | 27 | 57% | 100% | 2,988 | 24% | 9,269 | 76% | 12,257 |
| Home Improvement* | 2 | 100% | 0 | 0% | 100% | 210 | 100% | 0 | 0 | 210 |
| Total Residential Real Estate* | 33 | 35% | 61 | 65% | 100% | 7,859 | 24% | 24,570 | 76% | 32,429 |
| TOTAL Loans | 33 | 35% | 61 | 65% | 100% | 7,859 | 24% | 24,570 | 76% | 32,429 |

* Represents loans originated between January 1, 2004 and December 31, 2005 as reported under the Home Mortgage Disclosure Act.

Lending to Borrowers of Different Income Levels

The bank's record of extending credit to individuals of different income levels is reasonable. In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level (3 percent using 2000 census data), the unemployment rate for DuPage County (4.7 percent), Kane County (5.7 percent) and Cook County (6.5 percent) and the high cost of housing. The average median housing cost for the 2000 census was \$245 thousand. The poverty level, the unemployment rate, and the high cost of housing are barriers that have a negative affect on home ownership.

Significant competition exists in the bank's market area with over 500 financial institutions originating home mortgage loans in the bank's AA. Many of the bank's competitors are large regional and national institutions; thus, competition for lending opportunities is strong.

Loan Distribution to Borrowers of Different Income Levels

The loan distribution to borrowers of different income levels is reasonable. The borrower distribution of home purchase loans is reasonable. Home purchase loans made to low-income borrowers exceeds the percentage of low-income families within the AA. Home purchase loans made to moderate-income borrowers are slightly below the percentage of moderate-income families within the AA.

The borrower distribution of home improvement loans is reasonable. The bank did not make any home improvement loans to low- or moderate-income borrowers during the assessment evaluation period. Home improvement loans are not a focus for DNB. Opportunity to make home improvement loans to low- or moderate-income families is also limited due to the highly competitive market in the AA.

The borrower distribution of home refinance loans is more than reasonable. Home refinance loans made to low-and moderate-income borrowers significantly exceed the percentage of low-and moderate-income families within the AA.

| Borrower Distribution of Residential Real Estate Loans 2004-2005 | | | | | | | | |
|---|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| 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 |
| Home Purchase* | 7.95% | 9.09% | 10.68% | 9.09% | 19.10% | 18.18% | 62.27% | 63.64% |
| Home Improvement* | 7.95% | 0.00% | 10.68% | 0.00% | 19.10% | 50.00% | 62.27% | 50.00% |
| Home Refinance* | 7.95% | 15.00% | 10.68% | 30.00% | 19.10% | 30.00% | 62.27% | 25.00% |

*Represents loans originated between January 1, 2004 and December 31, 2005 as reported under the Home Mortgage Disclosure Act.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans is not meaningful as there are no low- or moderate-income geographies in the bank's AA.

Responses to Complaints

The bank did not receive any consumer complaints since our last evaluation.

Fair Lending or Other Illegal Credit Practices Review

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