Comptroller of the Currency
Administrator of National Banks

Public Disclosure

November 3, 1997

Community Reinvestment Act Performance Evaluation

The First National Bank of Chicago
Charter Number: 8
Large Bank

One First National Plaza
Chicago, Illinois 60670

Office of the Comptroller of the Currency
Large Bank Supervision
250 E Street, S.W.
Washington, D.C. 20219-0001

NOTE: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.

Table of Contents

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 **The First National Bank of Chicago (FNBC)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **November 3, 1997.** The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSA's consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Low-Income (LI) - Income levels that are less than 50% of the MFI.

Moderate-Income (MI) - Income levels that are at least 50% and less than 80% of the MFI.

Middle-Income (MII) - Income levels that are at least 80% and less than 120% of the MFI.

Poverty Level - The average poverty threshold for a family of four persons was $12,674 in 1989. Poverty thresholds were applied on a national basis and were not adjusted for regional, State or local variations in the cost of living.

Upper-Income (UI) - Income levels that are 120% or more of the MFI.

Small Business Loans - Loans with an original amount of $1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans with an original amount of $500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Evaluation Period

An evaluation of the bank's CRA performance was made for the period from the last evaluation dated October 19, 1995 through September 30, 1997.

CRA Rating

Institution's CRA Rating: This institution is rated **"Satisfactory record of helping to meet the credit needs of its community."**

The major factors which support this rating include:

- The bank's community development activities are highly responsive to the needs of the community. The level of community development lending is excellent and community development services reflect leadership in the community. Good participation in community development through investments is noted.

- The bank has extended a large volume of mortgage, small business, community development and consumer loans during the evaluation period. There has been a total of 238 thousand loans for $4.9 billion.

- The distribution of lending by income level of geography is good for real estate and consumer loans and adequate for small loans to businesses.

- The distribution of lending to borrowers of different income levels is good for real estate loans and very strong for consumer lending.

- The bank's record of opening and closing branches is good and access to branches from low- and moderate-income areas has been improved.

The following table indicates the performance level of **The First National Bank of Chicago** with respect to the lending, investment, and service tests:

Performance Levels	**The First National Bank of Chicago** Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

Ownership

The First National Bank of Chicago (FNBC) is a wholly owned subsidiary of First Chicago NBD Corporation (FCNBD), a multibank holding company. FCNBD was created by the merger of First Chicago Corporation (FCC) and NBD Bankcorp, Inc. (NBD) on December 1, 1995. FCNBD had total assets of $113 billion at September 30, 1997, making it the ninth largest bank holding company in the nation. Other banks owned by FCNBD include American National Bank and Trust Company of Chicago (ANB), FCC National Bank (FCCNB), NBD Bank (Florida), NBD Bank (Michigan), NBD Bank, National Association (Indiana). There are a variety of other bank and holding company subsidiaries.

Background

FNBC received its national bank charter on July 1, 1863. FNBC's focus for most of its history was its Corporate Bank which served Chicago's industry. As a result of serving businesses that reached global markets, FNBC developed a significant international banking business. Another factor which contributed to the focus on large corporate customers as opposed to consumers was the prohibition under Illinois state law on branching. With the gradual easing of branching restrictions beginning in 1969 until their elimination in 1993, FNBC began to develop its consumer banking business.

The development of the consumer banking business was accomplished primarily through acquisitions because this method was viewed as more economical than building branches. This process began with the purchase of five banks of First United Financial Services in 1987 and was followed with additional acquisitions in 1988, 1989 and 1993. During 1996, FCNBD merged NBD Bank (Illinois) into FNBC and consolidated its retail and middle market banking operations with those of FNBC and ANB. This merger resulted in a significant expansion of the bank's branch network with the addition of 67 branches. However, only one of these branches was in the city, so the expansion was strictly in the suburbs.

Bank Profile

The bank has delineated one assessment area which consists of Cook, DuPage, Kane, Lake, McHenry and Will counties within the Chicago MSA. The bank's distribution network includes 147 branches, 392 automated teller machines (ATMs) attached to branches and 350 free standing ATMs. Alternative delivery services that supplement the branch and ATM networks include Internet Banking and 24 hour telephone banking. Please refer to the Service Test portion of this evaluation for further discussion.

As of September 30, 1997, FNBC was the largest bank in the state of Illinois and the thirteenth largest in the country with total assets of $56 billion. As of the same date, the loan portfolio totaled $25 billion and the bank had a loan-to-deposit ratio of 67%.

Foreign deposits are significant at $14.7 billion or 26% of the bank's total footings. An illustration of their impact is provided by the elimination of foreign deposits and foreign loans ($4.1 billion) from the balance sheet. The result is the bank's loan to deposit ratio increases to 94%.

A large part of the remaining assets of the bank relate to the bank's large corporate and investment activities. The assets which contribute to the bank's CRA performance are contained within the bank's Community Banking Group (CBG). This area contains real estate, small business and consumer loans. The bank's branch operations are also reflected on the CBG balance sheet. CBG had total assets of $14.4 billion on September 30, 1997, and represented approximately 25% of the bank's total assets. The composition of the loan portfolio for the CBG is detailed in the table below.

Community Banking Group LOAN PORTFOLIO COMPOSITION 9-30-97		
Type	$ (000)	% of Portfolio
Residential Real Estate	$2,909	35%
Commercial Real Estate	1,051	13%
Commercial	1,136	14%
Consumer	3,080	38%
Total Loans	$8,110	100%

Source: The bank's internal Organizational Profitability Report for September 30, 1997.

Consumer lending is the largest part of CBG's portfolio at 38%. Residential real estate lending is done by First Chicago NBD Mortgage Corporation, and what is reflected here are loans held in portfolio. These loans include loans not eligible for sale in the secondary market and loans held for sale. The timing of sales is subject to management discretion. Business banking activities are significant at 27% of the portfolio.

Affiliate Entities

There are other assets which contribute to FNBC's CRA performance made or held by affiliates. For example, a significant portion of the FCC National Bank's credit card portfolio is within the bank's assessment area and these loans are attributed to FNBC for CRA purposes. The activities attributed to FNBC are not a part of any other institution's CRA record.

Affiliate Activities Considered In Evaluation		
Affiliate	Relationship & Strategic Focus	Products Attributed To Bank For This Evaluation
FCC National Bank	This is a separately chartered national bank which issues credit cards (Visa and MasterCard) on a national basis. The bank is headquartered in Wilmington, Delaware and has a limited purpose designation. Credit cards issued to individuals residing in the Chicago Metropolitan area are not a part of its CRA program.	Credit Cards
First Chicago Equity Corporation	A holding company subsidiary which makes venture capital investments. The corporation is a registered Small Business Investment Company licensed under the Small Business Investment Company Act of 1958. It offers loan and equity financing for small business ventures.	Small business loans and investments
First Chicago NBD Mortgage Company	A holding company subsidiary which makes residential mortgage loans on a corporate-wide basis.	Home purchase and refinance loans.
First Chicago Neighborhood Development Corporation	A bank subsidiary which is an OCC approved Community Development Corporation. The corporation was authorized in 1984 and makes public welfare and community development qualified investments and loans.	Community development loans, investments, and services.
First National Bank Foundation	A bank subsidiary which makes contributions to organizations designed to strengthen the communities in which the bank operates.	Community development grants.

Competitive Environment

FNBC's retail and other CRA related activities are conducted in the Chicago Metropolitan area. The banking and retail lending environment in this area is very competitive. Competition includes numerous other national and state banks, savings banks, savings and loans associations, finance companies, insurance companies, other domestic and foreign financial institutions, and various nonfinancial intermediaries. The number of banks is a by-product of historical restrictions on branching. There has been significant consolidation of banking organizations over the last 10 years, but the number of banks is still high. Non-bank entities play a significant role in the competitive environment also. For example, in mortgage lending in 1996, the two largest home purchase lenders in the bank's assessment area were mortgage companies.

Similarly Situated Banks

There are no banks within the Chicago Metropolitan area comparable to FNBC in terms of size, branch network or the broadness of their assessment area. These are the most relevant bases for comparison. FNBC is by far the largest bank in Illinois. There are other large banks operating in the Chicago MSA and these are listed in the table below. The table reflects that among the four banks, Harris Trust & Savings is similar to FNBC in their focus on commercial and consumer business. However, each is much smaller than FNBC, and their assessment area delineations for CRA purposes are not as broad. None of the other banks (The Northern Trust Company, Bank of America, Illinois and LaSalle National Bank) focus on retail banking or consumer lending.

In terms of marketing power and competition, it is appropriate to look at banking groups as opposed to individual banks. These groups are financial institutions affiliated through common ownership at the holding company level. In many respects, banking groups are functionally equivalent to a branch banking network such as FNBC's. However, CRA evaluations relate to individual banks, so these groups are mentioned simply to point out the level and type of competition FNBC encounters in its assessment area.

There are two banking groups somewhat similar to FNBC in terms of branch networks, deposit market share and the geographic scope of their operations. The comparable organizations are Harris and LaSalle. It is noted that the LaSalle group of financial institutions has a slightly larger share of deposits in the Chicago MSA than does FNBC.

In terms of community development activities, each of the four banks listed below are significant competitors for FNBC. These banks are considered to be the leading financial institutions in the Chicago area by the majority of community organizations.

Similarly Situated Bank Comparison June 30, 1997					
Name of Bank and Corporate or Strategic Focus	Community Delineation	Total Assets (Billions)	Total Branch Deposits (Billions)	Branch Deposits Market Share	# of Branches
FNBC	Cook, DuPage, Kane, Lake, McHenry and Will counties	$54.8	$21.8	14.1%	148
The Northern Trust Co. This is a large corporate bank which primarily focuses on trust services.	Cook County and a portion of Lake County	22.5	8.0	5.2%	16
Bank of America, IL This is a large corporate bank whose primary focus is middle market businesses. Effective July 1, 1997, this bank was merged into the lead bank in San Francisco.	Cook County	16.6	6.7	4.3%	61
Harris Trust & Savings This is the lead bank for the banking group and they have historically been primarily a commercial lender. However, they made a significant acquisition in 1996 which bolstered their branch network and increased their focus on consumer lending.	Cook and DuPage counties and small portions of Lake and Will counties	16.0	9.2	5.9%	62
Harris Group There are 22 affiliated banks located throughout the Chicago suburbs. Commercial and consumer lending are their strategic focus.			14.2	9.2%	104
LaSalle National Bank This bank's strategic focus is lending to middle market businesses. As a result, they applied for and received a wholesale designation for CRA purposes. As a wholesale institution they are subject to a community development test. The corporate structure includes a significant retail business segment. However, the retail segment is separately chartered.	City of Chicago	15.3	8.0	5.2%	3
LaSalle Group There are six affiliated financial institutions which operate in the City of Chicago and suburbs.			22.1	14.2%	126

Source: Federal Deposit Insurance Corporation - Bank/Thrift Branch Deposit Inquiry

Description of Assessment Area

FNBC's assessment area includes all of Cook, DuPage, Kane, Lake, McHenry, and Will counties. This assessment area encompasses 1,738 census tracts, of which 279 are low-income, 371 are moderate-income, 654 are middle-income, and 407 are upper-income. Twenty-seven census tracts are not classified by income level. The bank's assessment area does not include the entire Chicago Metropolitan Statistical Area (MSA). However, it does include all of the city of Chicago and the majority of the metropolitan area.

Overall economic conditions for the assessment area are good. Unemployment for the area was 4.1% in September 1997, which is lower than the national average of 4.9%. The employment base is diversified with numerous employment opportunities. Thirty-nine Fortune 500 companies are located within the state of Illinois, 34 of which have their headquarters within FNBC's assessment area. Twenty-nine companies within the assessment area employ 4000 or more people at one location.

METROPOLITAN CHICAGO - SIX COUNTY
ASSESSMENT AREA PROFILE: MSA #1600

Demographic Characteristics	#	% of AA	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population	7,261,176	100%		10%	20%	42%	28%
Families	1,827,143	100%		20%	17%	24%	39%
Households	2,615,409	100%		9%	19%	44%	29%
Households Below Poverty Level	274,075	100%		4%	3%	3%	1%
Median Family Income			$55,800				
Census Tracts	1,738	100%		16%	21%	38%	23%
Unemployment Rate -Sept. 30, 1997	4.1%						
Owner-occupied Housing	1,595,050	100%		3%	13%	48%	36%
Median Housing Value			$124,096				
Small Businesses	161,626	100%		5%	13%	41%	41%

Note: The number of households below the poverty level for each income level is as a percentage of the total number of households. Also, the Median Family Income is the Median Family Income for MSA #1600. The distribution of small businesses is based on businesses with revenue less than $1 million.

The portion of the assessment area that relates to the city of Chicago is dramatically different in terms of the demographic make-up of the population, income levels, the nature of housing stock, and thus credit needs. In particular, it is noted that while the city contains 38% of the assessment area population, it contains 96% of the low-income census tracts and 81% of the moderate-income census tracts. CRA evaluations are normally performed at the assessment area level, and that level of analysis is performed in this evaluation. However, by also presenting information on the city of Chicago and suburbs separately, we were able to focus our analysis on two areas with significantly different profiles and needs.

The concentration of low- and moderate-income areas within the city is also high in comparison to other large cities around the country. We noted that among the ten largest cities in the United States, Chicago had the second highest percentage of census tracts that were low- or moderate-income.

Compared to the assessment area overall, 27% of the owner-occupied housing is in the city of Chicago. This percentage is substantially less than the percentage of the assessment area population located in the city. We observed lower levels of owner-occupied housing on the near South, near Northwest and West sides of the city. These are predominantly low-and-moderate income areas. The housing stock within Chicago is also significantly older than other parts of the assessment area. The median year built for housing units in the assessment area was 1953. In Chicago, the median year built for housing units was 1939.

The unemployment rate for the city of Chicago is higher than the rate for the rest of the assessment area and higher than the national average. Between 1991-1995, there has been a small decline in the number of people working in the city. The report, ***Where Workers Work in the Chicago Metro Area***, produced by the Illinois Department of Employment Security, revealed that there was a decrease of 48,541 (4%) people working in the city of Chicago during this time frame. However, half of the companies, employing greater than 4,000 people continue to be located in the city.

According to the Northeastern Illinois Planning Commission, Chicago's population has shown a small decline from 1990 to 1995, of 1.87%. However, the suburban areas have shown a significant increase in population of approximately 13% in the time period. Consequently there have been a significant number of housing permits issued for privately owned residential buildings in the suburban counties, thereby significantly lowering the age of housing units in the suburban areas.

CITY OF CHICAGO ASSESSMENT AREA PROFILE: MSA # 1600							
Demographic Characteristics	#	% of AA	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population	2,783,751	38%		24%	39%	29%	8%
Families	636,410	35%		35%	20%	21%	24%
Households	1,020,885	39%		21%	36%	31%	12%
Households Below Poverty Level	195,436	71%		9%	7%	2%	1%
Median Family Income			$55,800				
Census Tracts	865	50%		31%	34%	25%	8%
Unemployment Rate -Dec. 31, 1995	5.9%						
Owner-occupied Housing	425,401	27%		10%	33%	45%	12%
Median Housing Value			$113,973				
Small Businesses	52,270	32%		14%	29%	27%	27%

Note: The number of households below the poverty level for each income level is represented as a percentage of the total number of households. Also, the Median Family Income is the Median Family Income for MSA #1600. The distribution of small businesses is based on businesses with revenue less than $1 million.

Chicago has a network of sophisticated nonprofit organizations participating in a variety of community development activities. They are among the most active and accomplished community development organizations in the United States. Organizations throughout the city, purchase and rehabilitate single- and multi-family housing, develop commercial real estate projects, promote small business development, operate job training programs, and deliver social services to low- and moderate-income individuals. They frequently play the lead role in planning and executing community development efforts in their respective communities. These neighborhood nonprofit organizations also join together in a number of formal, city-wide coalitions to advocate for public policies on housing, economic development, job training, and homelessness among others. The umbrella organizations provide training and networking opportunities for their members, and have negotiated lending and investment agreements with banks.

Community development organizations in Chicago are supported by a well-developed infrastructure of community development financial institutions (CDFI), foundations, and university urban affairs and research programs, all of which are vital components of the partnerships through which the neighborhood organizations accomplish their community development objectives. There are approximately 26 nonprofit CDFI' operating in Chicago, of which 17 are certified by the CDFI Fund of the U.S. Treasury Department. They lend for a wide variety of purposes, including: micro business loans; redevelopment, construction and permanent loans for housing and commercial real estate projects sponsored by nonprofit organizations; mortgage loans for social service agencies' facilities; and working capital loans for nonprofit organizations.

The MacArthur Foundation, the Chicago Community Trust, the Wieboldt Foundation, the Woods Charitable Trust, and many other foundations support community development efforts with grants and program related investments. The City of Chicago supports nonprofit community development efforts with grants and loans from its community development block grant budget. The University of Illinois at Chicago, and DePaul, Loyola, and Northwestern Universities all have active urban affairs programs that work directly with nonprofit organizations.

In an effort to address fundamental concerns in the community development field in Chicago, in 1996, a committee was assembled by the Local Initiatives Support Corporation (LISC) to create a blueprint for community development activities in the future. The result was a study entitled, ***Changing The Ways We Do Things***. The study was collaborative effort by leaders from various sectors in the city who had an impact on community development at the local level. They represented religious congregations, government and political leaders, businesses, foundations, CDFI's, intermediaries, health care, schools, and public safety of Chicago's community organizations and other institutions. The study revealed that, in addition to addressing the community development needs that have been identified (i.e. affordable housing, economic development, etc.), it is critical to have a comprehensive development approach that includes education, job training, and social services.

AGGREGATE OUTSIDE CITY OF CHICAGO
ASSESSMENT AREA PROFILE: MSA # 1600

Demographic Characteristics	#	% of AA	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population	4,477,425	62%		1%	9%	50%	40%
Families	1,190,733	65%		12%	16%	25%	47%
Households	1,594,524	61%		1%	7%	52%	40%
Households Below Poverty Level	78,639	29%		<1%	1%	3%	1%
Median Family Income			$55,800				
Census Tracts	873	50%		1%	9%	50%	39%
Unemployment Rate -Sept. 30, 1997	3.26%						
Owner-occupied Housing	1,169,649	73%		< 1%	5%	49%	45%
Median Housing Value			$130,985				
Small Businesses	109,356	68%		1%	5%	47%	47%

Note: The number of households below the poverty level for each income level is as a percentage of the total number of households. Also, the Median Family Income is the Median Family Income for MSA #1600. The distribution of small businesses is based on businesses with revenue less than $1 million.

The remainder of the assessment area is suburban and includes DuPage, Kane, Lake, McHenry, Will, and all of Cook County, excluding the City of Chicago. The characteristics of these counties are more similar in nature than the city of Chicago. This area is stable, relatively prosperous, and is experiencing rapid job growth. Between 1991 - 1995, there was a significant increase in the number of people working in this segment of the assessment area. The report, ***Where Workers Work in the Chicago Metro Area***, produced by the Illinois Department of Employment Security, revealed that there has been an increase of 230,443 persons (12%) working in the suburban assessment area during this time frame. The unemployment rate is lower than the national average. As reflected in the table above, the suburban census tracts are overwhelmingly middle- or upper-income. Two of the suburban counties (DuPage and McHenry) do not have any low- or moderate-income census tracts.

Credit Needs

The credit and community development needs of FNBC's assessment area are numerous and varied. Consistent with the concentration of low- and moderate-income census tracts within the city of Chicago, credit and community development needs are greatest within the City. Significant credit needs include affordable single and multi-family housing, particularly smaller multi-family properties, loans for small businesses, and financing for economic development in targeted areas. Community development needs range from debt financing and equity investment to direct purchases of tax credits for projects relating to affordable housing to operating support for community development organizations, job training and social services. Improved access to financial services, through additional branches in low- and moderate-income areas, was also identified as a need. These needs were identified through several community contacts with housing, economic and government representatives contacted by bank regulatory agencies in the past 24 months. We also performed four additional contacts during this examination which confirmed these credit needs.

Bank management had also identified these credit and community development needs. For the last five years, the bank has employed a comprehensive and targeted approach to understanding community development needs. FNBC continues its neighborhood lending review board to solicit input and feedback from community development organizations and it monitors a number of CRA agreements that community organizations have negotiated with the bank. The agreements deal with the specific needs the community wants addressed.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions

•FNBC's performance in the lending area is good.

-The bank is a leader in community development lending often using innovative or complex products to support community development initiatives.

-FNBC and its affiliates have extended a significant amount of credit within their assessment area.

-The geographic distribution of real estate and consumer loans results in good penetration in census tracts of different income levels.

-The bank has a good distribution of real estate and small business loans to borrowers of different income levels and has a particularly strong distribution of consumer and credit card loans.

Performance Context Issues

There are several specific facts about assessment area and the bank which were taken into account in our analysis of the bank's lending performance.

•The nature of the housing stock differs greatly between the City and the suburbs in terms of the proportion of Owner-Occupied Housing Units (OOU) and the age of the housing stock.

The City contains 38% of the area's population, but only 27% of the OOUs.

•There are many parts of the city with low-levels of OOU and this appears to be correlated to the income level of census tracts. This affects the demand for and distribution of mortgage related loans.

There are 548 census tracts in the City (63% of the total) with fewer than 500 OOU. The average number of OOU is 161 for low-income census tracts and 472, 877, and 779 for moderate-, middle-, and upper-income census tracts, respectively.

•There are a significant number of households below the poverty level in the city of Chicago, especially in the low- and moderate-income census tracts. These households have a diminished capacity to borrow which affects the geographic distribution of loans.

Of the total households in the City, 195,436 or 19% are below the poverty level. The distribution of these households is skewed to the low-income census tracts with 47% of the total for the City and to moderate-income census tracts with 37% of the total.

•The bank's assessment area includes a number of areas in the suburbs not historically served by the bank. Some of these areas contain low- and moderate-income census tracts.

As part of the new CRA regulation, banks have been encouraged to include whole geographies such as MSA's or counties in their assessment area. Then under the performance context, expectations for performance are to be adjusted regarding the bank's ability to serve these areas. The outlying portions of FNBC's assessment area includes areas not historically served by the bank's branch network. Some of these areas are primarily rural, but some of the low- and moderate-income areas outside of Chicago are included in these areas. These are primarily in Waukegan, North Chicago and Aurora.

•There are groups of low- and moderate-income census tracts in which few small businesses operate. This affects the geographic distribution of small business loans.

According to available information, many census tracts on the South and West sides of the City have less than 24 small businesses operating within them. Of the 865 census tracts in the City, 700 tracts had more than 24 businesses operating there. The average number of businesses operating in a census tract within the City is 117.

•FNBC's strategy for providing credit to the smallest of businesses is through support for the ACCION Micro Loan Program. Since this is an indirect lending approach, these loans are not reflected in the bank's small loans to businesses numbers.

FNBC is active in the program with ACCION. Bank management provides community development service to ACCION and the bank contributes to ACCION's loan pool (see community development lending comments below). The loans originated by ACCION tend to be for very small dollar amounts. ACCION has originated 244 loans from October 1995 through September 30, 1997 under this program. A large majority of these loans (206 for $940,085) were made in the City.

•Many small business owners fund their business operating lines and capital expenditures with credit card and consumer loans. FNBC is a leading credit card lender in the assessment area, but none of these loans are captured as loans to small businesses.

As part of a study by the Board of Governors of the Federal Reserve System, 4,736 small businesses' were surveyed regarding their borrowing activity in 1993. Nearly 40% of the businesses had no credit lines, loans or leases. Of these, 73% used credit cards, trade credit, or loans from owners. Even among firms that used the traditional types of loan arrangements, over 88% also reported using trade credit, credit cards, or loans from owners.

Scope

This performance evaluation presents information on the bank's small business, HMDA (home purchase, home improvement, home refinance, and multi-family), consumer (motor vehicle, home equity, credit card, other secured, and other unsecured), and community development loans originated January 1, 1996 through September 30, 1997. FNBC elected to have its consumer lending considered during this review and made the required information available to us. The lending activity for credit cards was analyzed separate from the other 4 types of consumer loans. Unless otherwise noted, a reference to loans means the type of loans listed here and not all loans made by the bank (e.g. large commercial business loans are not included in this evaluation).

FNBC's performance under the community development lending portion was evaluated in terms of the volume of lending; the level of leadership associated with the loans; and the degree to which the lending activities responded to the credit and community development needs of the bank's assessment areas.

The credit card loan analysis was based on information developed in a sample of activity over the 3 month period of July 1, 1997 through September 30, 1997. The bank was able to provide the required information for the entire period, but due to capacity limitations, we were unable to process the volume of information involved. The lending volume information is based on actual activity, but the information concerning the geographic distribution of loans and lending to borrowers of different incomes was based on the information derived from the sample. For this reason, we presented the information for credit cards separate from the other consumer loans.

Data Integrity

In order to verify the accuracy of FNBC's small business data a sample of 95 loans originated in 1996 was reviewed. The analysis showed 15 of the 95 files reviewed did not qualify as small business loans which equates to a 16% error rate. Extrapolating the error rate in the sample suggests that the number of loans reported in 1996 was inflated by 16%. We considered as a mitigating factor, information provided by management regarding small business loans they were unable to geo-code due to software difficulties. As a result, they were unable to include these loans with their small business data reported to the FFIEC. Specifically, the bank determined there were 220 small business loans that were not counted in the 1996 CRA Disclosure Statement because they could not pinpoint the exact census tract location. However, based on their internal analysis, all of them were identified as within the assessment area. Additional errors were noted in the loans sampled regarding the census tract location, loan amount, origination dates, and annual revenues amounts. The number of errors detected was significant, but most were not significant misstatements of the data. The errors identified through the sample were not deducted from the bank's overall small business lending activity in 1996; however, the error rate was factored into our analysis.

An additional sample of small business loans from 1997 were reviewed for accuracy. The error rate was significantly lower in the 1997 sample; however, we noted some minor errors regarding the origination dates and annual revenue amounts. Overall, the process of collecting, maintaining, and recording small business loans improved in 1997.

To verify the accuracy of the consumer loan data, a sample of 100 consumer loan files between January 1996 and September 1997 were reviewed. Specific items reviewed included loan type, addresses of applicant, loan amount, origination date, and annual income of the applicant. The sample revealed that there were no significant errors and the data is reliable.

During this review, we also verified the accuracy of the credit card data supplied through a limited sample. We reviewed the loan location, loan amount, and borrowers' annual income used to make the credit decision. The sample a showed that all the data was accurate with the exception of the loan location. We found problems with the census tract identified in a number of loans.

We also verified the accuracy of the HMDA data by testing management's review of the data. We found that management had accurately identified errors and corrected them prior to submission of the Loan Application Register.

Lending Activity

•FNBC's lending levels reflect good responsiveness to assessment area credit needs.

FNBC has extended a significant amount of credit in its assessment area. As reflected in the table below, the bank and its affiliates made 237,907 loans totaling $4.9 billion during the evaluation period. FNBC's largest product by number of loans was consumer credit (including credit cards) with 213,720. Home mortgage loans were the next largest category with 19,970 loans. By dollar volume, home mortgage lending was the largest category at $2.3 billion, but followed closely by consumer credit at $1.9 billion.

The bank's lending volume compares favorably to other banks where data is available. FNBC is the most active home mortgage lender and ranked number 1 in its assessment area in 1996. The second ranked mortgage lender had 10,812 loans compared to FNBC's 11,462. The bank ranks fourth in the number of small loans to businesses behind national providers American Express and Mountainwest Financial Corporation and affiliated American National Bank (ANB). FNBC has a 5% market share compared to 5.5% for ANB, 21% for American Express and 13% for Mountainwest Financial Corporation. However, when lending is measured by dollars extended, ANB is the top lender with a 17% market share and FNBC is second at 8%.

There is no aggregate data available for comparison with the bank's consumer and credit card lending, but the volumes are significant by number of loans and dollars extended. FCC National Bank is ranked sixth in credit card lending on a national basis.

Volume of Loan Originations in 1996 and YTD 1997 in Chicago Assessment Area						
Product	**Bank**		**Affiliates**		**Total**	
	#	$ (000)	#	$ (000)	#	$ (000)
Home Purchase/Refinance Loans	1,200	$56,545	14,885	$2,138,120	16,085	$2,194,665
Home Improvement Loans	3,745	$63,442	0	$0	3,745	$63,442
Multifamily Loans	138	$67,445	2	$229	140	$67,674
Total Home Mortgage Loans	5,083	$187,432	14,887	$2,138,349	19,970	$2,325,781
Small Business Loans	4,105	$581,737	0	$0	4,105	$581,737
Community Development Loans	62	$29,314	50	$58,640	112	$87,954
Consumer Loans	53,087	$969,572	0	$0	53,087	$969,572
Credit Card	0	$0	160,633	$898,398	160,633	$898,398
Grand Total	68,398	$2,898,027	169,509	$1,965,415	237,907	$4,863,442

Source: Bank prepared Consumer and Small Business Loan Data Collection Registers and HMDA Loan Application Register. The table includes loans that could not be geocoded to a specific census tract but are known to be inside the bank's assessment areas based on address zip codes.

Assessment Area Concentration

•A substantial majority of the bank's loans are made within its assessment area.

By regulation, the calculation of the percentage of the bank's lending within versus outside its assessment area excludes loans made by affiliates. As illustrated in the following table, over 96% of the number of home mortgage, small business, consumer, and community development loans were made within the assessment area. The percentage exceeded 90% for each product type which is a high level. The concentration of lending by dollars extended is only slightly lower at 94% overall and is also considered high.

Bank Only Loan Originations in 1996 and YTD 9-30-97						
Product	Total Originations		Within All Assessment Areas			
	#	$ (000)	#	%	$ (000)	%
Home Purchase/Refinance Loans	1,219	$57,706	1,200	98%	$56,545	98%
Home Improvement Loans	3,816	$64,478	3,745	98%	$63,442	98%
Multifamily Loans	139	$70,445	138	99%	$67,445	96%
Total Home Mortgage Loans	5,174	$192,629	5,083	98%	$187,432	97%
Small Business Loans	4,503	$667,737	4,105	91%	$581,737	87%
Community Development	62	$29,314	62	100%	$29,314	100%
Consumer Loans	54,936	$1,003,500	53,087	97%	$969,572	97%
Grand Total	71,229	$3,079,131	68,398	96%	$2,898,027	94%

Source: Bank prepared Consumer and Small Business Loan Data Collection Registers and HMDA Loan Application Register. The table includes loans that could not be geocoded to a specific census tract but are known to be inside the bank's assessment areas based on address zip codes.

Geographic Distribution of Loans within the Assessment Area

•The geographic distribution of loans reflects good penetration throughout the assessment area.

The geographic distribution of mortgage loans is good, particularly in the city of Chicago, and small business lending is satisfactory. The distribution of consumer and credit card loans is strong and there is a high level of community development lending.

Mortgage Lending

The percentage of mortgage lending in each type of census tract was compared to the percentage of owner-occupied housing units in those tracts. This established demographic benchmarks of 3% for low-income census tracts and 13% for moderate-income census tracts. For the overall assessment area, the percentage of home purchase and home improvement lending meets or exceeds the benchmark. The percentage of lending in moderate income census tracts is somewhat less than the benchmark for home purchase and refinance lending, but exceeds it for home improvement lending at 14%. For the reasons noted in the performance context section, the most weight was placed on the distribution of lending within the city of Chicago. Here 10% and 33% of the owner-occupied housing is in low- and moderate-income census tracts respectively. The bank's performance in the city is stronger than in the assessment area overall and is considered good. The bank's percentage of lending meets or exceeds the benchmarks for home improvement and refinance lending, and for home purchase lending meets the bench mark in low-income areas, but is somewhat less at 26% in moderate-income areas.

Analysis of market share information leads to similar conclusions. The bank's performance in lending to low- and moderate-income areas is stronger in the city where the preponderance of these areas are located. Within the city, the bank's market share in both low- and moderate-income census tracts is higher for home purchase and home improvement loans than the bank's market share in middle-income census tracts. This reflects a good focus on low- and moderate-income census tracts, but it is also noted that the bank's market share in upper-income census tracts is substantially higher than any other segment.

HOME PURCHASE LOANS
RESIDENTIAL LENDING by Income Level of CT - 1996

Geographic Area:	Overall Market Rank	LI Market Rank	MI Market Rank	Overall Market Share	LI Market Share	MI Market Share	MII Market Share	UI Market Share
Chicago	5	5	7	3.30%	3.33%	2.62%	2.42%	6.22%
Aggregate Outside City	7	32	22	2.47%	1.04%	1.03%	2.05%	3.02%
Total Bank	6	5	9	2.67%	3.17%	2.13%	2.13%	3.36%

Source:1996 Aggregate HMDA information.

HOME IMPROVEMENT LOANS
RESIDENTIAL LENDING by Income Level of CT - 1996

Geographic Area:	Overall Market Rank	LI Market Rank	MI Market Rank	Overall Market Share	LI Market Share	MI Market Share	MII Market Share	UI Market Share
Chicago	3	3	3	6.00%	5.75%	6.23%	5.54%	7.95%
Aggregate Outside City	1	2	7	6.21%	9.28%	2.86%	5.44%	7.66%
Total Bank	2	3	3	6.15%	5.92%	5.29%	5.46%	7.68%

Source:1996 Aggregate HMDA information.

HOME REFINANCE LOANS
RESIDENTIAL LENDING by Income Level of CT - 1996

Geographic Area:	Overall Market Rank	LI Market Rank	MI Market Rank	Overall Market Share	LI Market Share	MI Market Share	MII Market Share	UI Market Share
Chicago	4	14	4	2.83%	1.52%	2.39%	2.89%	5.80%
Aggregate Outside City	1	11	8	4.69%	1.84%	1.88%	4.22%	5.43%
Total Bank	1	13	6	4.19%	1.55%	2.25%	3.91%	5.46%

Source:1996 Aggregate HMDA information.

We also performed an analysis of the geographic distribution of mortgage lending to identify any areas with little or no lending. We analyzed the distribution of each mortgage product separately, then combined the information to identify areas of no lending. We did not identify any conspicuous gaps, and noted that many of the census tracts that did not have any mortgage lending were ones with small numbers of owner-occupied housing units.

Small Business Lending

The geographic distribution of small business lending is satisfactory. Small business lending was evaluated by comparing the number of small businesses located in each type of census tract to the percentage of businesses located in those areas. In the six county area, 5% of small businesses are located in low-income census tracts compared to 2% of the bank's loans. Moderate-income census tracts contain 13% of small businesses compared to 8% of the bank's loans.

There are a variety of factors which contribute to the conclusion that the geographic distribution of small business loans is satisfactory. The performance context issue identified earlier regarding the merger with NBD Illinois is one factor. NBD Illinois was primarily a suburban bank and they had a strong small business lending function versus FNBC for which this is a relatively new activity. This contributes to the fact that 32% of the assessment area's small businesses are located in the city of Chicago, but only 20% of the bank's small loans to businesses are in the City. The distribution of the lending that is in the city of Chicago reflects a good focus on low- and moderate-income areas. The bank originated 14% and 28% of its small loans to businesses in the city in low-and moderate-income areas respectively. This compares favorably to 14% and 29% of small businesses being located in low- and moderate-income census tracts. So the larger proportion of small loans to businesses in the suburbs impacts the distribution percentages for the entire assessment area as the suburbs have fewer low- and moderate-income areas. Additional factors to consider are the bank's support of the ACCION Micro Lending Program which has extended 76% of its loans in low- or moderate-income census tracts; the use of credit card lending to fund small businesses; and the strong distribution of credit card lending in low- and moderate-income areas.

We also analyzed the geographic distribution of small business lending by looking for significant patterns in the form of areas with no or modest levels of lending. Due to the patterns of distribution noted above, this analysis focused on low- and moderate-income areas within the city of Chicago. There is a pattern of lower levels of lending on the City's South and West sides where there are concentrations of low-income census tracts. It is noted that there are significantly fewer businesses operating in these areas with as few as 24 businesses in many census tracts. This lower volume of businesses is a primary factor in the pattern that was observed, but there is still a somewhat lower level of bank lending to small businesses in these areas. In the suburbs, the penetration of low- and moderate-income areas is impacted by the location of bank branches. This is discussed in more depth in the Service Test.

Consumer Loans

For consumer loans, we compared the percentage of loans made in each type of census tract, categorized by income levels, to the percentage of households residing in those census tracts. In the assessment area overall, 6% and 18% of the bank's consumer loans and 6% and 15% of credit card loans are in low- and moderate-income areas. This distribution is good considering the concentrations of households living below the poverty level in these areas. The distribution in the city of Chicago is even stronger at 15% and 41% for consumer loans in low- and moderate-income areas and 14% and 33% for credit card loans. The percentage of households in these areas is 21% in low-income areas and 36% in moderate-income areas.

We also reviewed the distribution of consumer loans for distinctive patterns such as concentrations of census tracts with no or low numbers of consumer loans We did not find any. FNBC penetrated 89% of the low-income tracts and 98% of the moderate-income tracts with some type of consumer loan product. This analysis did not include credit card lending due to the computer limitations previously mentioned. This fact is noted because credit card lending is by far the largest category of loans for the bank; is a type of lending less dependent on branch locations; and from our sample, reflects strong coverage of low- and moderate-income areas.

TOTAL ASSESSMENT AREA
LENDING TEST: 1996 & YTD 9-30-97 MSA#1600

Loan Type	#	$ (000's)	CT / B	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Residential - Home Purchase	7,889	1,108,508	CT	3%	9%	37%	51%
			B	6%	20%	26%	48%
Residential - Refinance	8,196	1,086,157	CT	2%	8%	40%	50%
			B	6%	17%	27%	50%
Residential - Home Improvement	3,745	63,442	CT	5%	14%	43%	38%
			B	9%	19%	30%	42%
Multi-Family	140	67,674	CT	10%	34%	45%	11%
Consumer	53,087	969,572	CT	6%	18%	39%	37%
			B	23%	23%	22%	32%
Credit Card	160,633	898,398	CT	6%	15%	42%	37%
			B	31%	26%	17%	18%
Small Business	4,105	581,737	CT	2%	8%	40%	49%
Community Development	112	87,954					
Total Lending	237,907	$4,863,442					

Source: Bank's HMDA-LAR, CRA disclosure, consumer, and credit card data bases.

(CT)Income Level of Census Tracts in which FNBC made loans
(B)Income Level of Borrower to whom FNBC made loans

NOTE: The distribution of credit card loans by income level of census tract and income of borrower is based on originations over a 3 month time period as opposed to the entire evaluation period. Income information was not available for 8% of credit card applicants due to the credit card resulting from pre-approved mailings. Community Development loans are stated including the Multi-Family loans. As permitted by the regulation, Multi-Family loans are included in both the real estate mortgage loan totals and community development loan numbers. This is the only type of loan which the regulation allows to be double counted.

CITY OF CHICAGO LENDING TEST: 1996 & YTD 9-30-97 MSA#1600							
Loan Type	#	$ (000's)	CT / B	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Residential - Home Purchase	2,357	$307,618	CT	10%	26%	30%	34%
			B	8%	24%	25%	43%
Residential - Refinance	1,578	$177,761	CT	10%	33%	35%	22%
			B	12%	22%	25%	40%
Residential - Home Improvement	1,127	$20,004	CT	15%	39%	36%	10%
			B	19%	28%	26%	27%
Multi-Family	88	$42,975	CT	16%	48%	26%	10%
Consumer	20,893	$218,279	CT	15%	41%	30%	14%
			B	36%	28%	18%	18%
Credit Card	Not Available	Not Available	CT	14%	33%	33%	19%
			B	37%	29%	14%	12%
Small Business	814	$120,791	CT	9%	28%	20%	38%
Community Development	N/A	N/A					
Total Lending	*	**					

Source: Bank's HMDA-LAR, CRA disclosure, consumer, and credit card data bases.

(CT)Income Level of Census Tracts in which FNBC made loans
(B)Income Level of Borrower to whom FNBC made loans
*26,857 + credit card + community development
**$579,810 + credit card + community development

NOTE: The distribution of credit card loans by income level of census tract and income of borrower is based on originations over a 3 month time period as opposed to the entire evaluation period. Income information was not available for 8% of credit card applicants due to the credit card resulting from pre-approved mailings. Community Development loans are stated including the Multi-Family loans. As permitted by the regulation, Multi-Family loans are included in both the real estate mortgage loan totals and community development loan numbers. This is the only type of loan which the regulation allows to be double counted.

In the Suburban 6 County Area, FNBC's lending reflects a satisfactory geographic distribution. This conclusion takes into account that some of the low- and moderate-income census tracts are in outlying parts of the assessment area not well served by the bank's branch network. The cities of Waukegan, North Chicago and Aurora contain moderate income census tracts, but are in parts of the assessment area the bank does not have branches in.

AGGREGATE OUTSIDE CITY OF CHICAGO SUBURBAN 6 COUNTY AREAS LENDING TEST: 1996 & YTD 9-30-97 MSA#1600							
Loan Type	#	$ (000's)	CT B	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Residential - Home Purchase	5,532	$800,890	CT	<1%	2%	40%	58%
			B	5%	19%	26%	50%
Residential - Refinance	6,618	$908,396	CT	<1%	2%	41%	57%
			B	4%	16%	28%	52%
Residential - Home Improvement	2,618	$43,438	CT	1%	3%	46%	50%
			B	6%	15%	31%	48%
Multi-Family	52	$24,699	CT	<1%	12%	77%	11%
Consumer	32,194	$751,293	CT	<1%	3%	44%	53%
			B	14%	19%	24%	42%
Credit Card	Not Available	Not Available	CT	<1%	4%	48%	48%
			B	26%	24%	19%	22%
Small Business	3,291	$460,946	CT	<1%	3%	45%	52%
Community Development	N/A	N/A					
Total Lending	*	**					

Source: Bank's HMDA-LAR, CRA disclosure, consumer, and credit card data bases.

(CT)Income Level of Census Tracts in which FNBC made loans
(B)Income Level of Borrower to whom FNBC made loans
*50,305 + credit card + community development
**$2,989,662 + credit card + community development
NOTE: The distribution of credit card loans by income level of census tract and income of borrower is based on originations over a 3 month time period as opposed to the entire evaluation period. Income information was not available for 8% of credit card applicants due to the credit card resulting from pre-approved mailings. Community Development loans are stated including the Multi-Family loans. As permitted by the regulation, Multi-Family loans are included in both the real estate mortgage loan totals and community development loan numbers. This is the only type of loan which the regulation allows to be double counted.

Distribution by Borrowers' Income within the Assessment Area

•The distribution of lending to borrowers of different income levels is good.

Details regarding the bank's distribution of lending to borrowers of each income category are provided in the previous tables "Total Assessment Area, Lending Test: 1996 & YTD 9-30-97," "City of Chicago, Lending Test: 1996 & YTD 9-30-97," and "Aggregate Outside City of Chicago, Lending Test: 1996 & YTD 9-30-97." The percentage of families by income category is also provided in the demographic section of this document in the tables, "Assessment Area Profile: MSA #1600" for Metropolitan Chicago - Six County, City of Chicago, and Aggregate Outside City of Chicago, FNBC.

Home Mortgage Lending

•The level of home loans originated to borrowers of different incomes is good.

For the total assessment area, 20% of families are classified low-income and 17% are classified moderate-income. For home purchase loans, 6% were made to low-income borrowers and 20% to moderate-income borrowers. This distribution is considered satisfactory due to housing affordability issues for low-income borrowers. A similar pattern is noted for the other home mortgage products in the aggregate assessment area, in the city of Chicago and the area outside the city of Chicago. The percentage of lending to low-income borrowers is less than the demographic benchmark, but the lending to moderate-income borrowers meets or exceeds the bench mark.

We also looked at the bank's market share of home mortgage loans by income level of borrower. As previously noted, FNBC is the largest home mortgage lender in the 6-county area. Gauging the degree of focus on low-income and moderate-income borrowers was done by comparing the bank's market share in these income categories to their market share in the middle- and upper-income categories. The bank's market rank (position on list of lenders sorted by volume of lending) in the low- and moderate-income categories was also compared to their overall market rank. This analysis reflected that the bank's strongest performance was in lending to upper-income borrowers. However, the bank's market share with low- and moderate-income borrowers approximated their market share to middle income borrowers. Supporting the conclusion that the performance with low- and moderate-income borrowers is not significantly weaker than their lending to middle-income borrowers is the fact that the bank is the second ranked home mortgage lender to low- and moderate-income borrowers. Similar relationships were noted when the different home mortgage products were analyzed separately.

AGGREGATE - All HMDA PRODUCTS
RESIDENTIAL LENDING by Income Level of Borrower - 1996

Geographic Area:	Overall Market Rank	LI Market Rank	MI Market Rank	LI Market Share	MI Market Share	MII Market Share	UI Market Share
Chicago	3	3	3	3.50%	3.72%	3.85%	5.37%
Aggregate Outside City	1	3	2	3.37%	3.60%	4.04%	5.27%
Total Bank	1	2	2	3.43%	3.64%	4.00%	5.29%

Source: 1996 Aggregate HMDA information.

Small Business Lending

•The bank's distribution of loans to businesses of different sizes is reasonable.

A small business loan is defined as any loan, regardless of the size of the business, with an origination amount of $1 million or less which is either secured by non-farm or non-residential real estate or has a commercial purpose. A more descriptive way to describe these loans are that they are "small loans to businesses." With this understanding, the following table summarizes FNBC's small business lending by varying loan amounts to firms of any size. Specifically, it depicts that FNBC originated 4,105 small loans to businesses totaling approximately $582 million between January 1996 and September 1997. Of that total, a large majority or 64% of the bank's loans to businesses were for origination amounts less than $100,000. Within the city of Chicago, the bank originated 61% of its loans to businesses for less than $100,000. Using loan amounts as a proxy, this shows that FNBC is making very small loans to a reasonable portion of businesses.

The following table also summarizes business loans by revenue size. This gives a clearer picture of the number of loans made to very small businesses, particularly those with annual revenues of $1 million or less. As indicated below, FNBC originated 2,044 loans, or half of its loans to businesses, to very small businesses. The remainder of the loans to businesses were to those with annual revenues greater than $1 million (37%) or to businesses with unknown revenues (13%).

SMALL BUSINESS LOANS By Loan Size and Revenue of Business - 1996 & YTD 1997

	Total Loans		% of # of Loans by Loan Size			Loans to Businesses With Revenues <$1 Million			
	#	$(000)s	<$100,000	$100-250,000	>$250,000	#	% of Total	# Rev Unknown	%
City of Chicago	814	$120,791	61%	20%	19%	461	57%	112	14%
Aggregate Outside City	3,291	$460,946	65%	19%	16%	1,583	48%	436	13%
Total Assessment Area	4,105	$581,737	64%	20%	16%	2,044	50%	548	13%

Source: 1996 and 1997 CRA Disclosure Statements

As stated in the geographic distribution section, small business market share reports demonstrate that FNBC is doing a good job of providing loans to small businesses in their assessment area. FNBC ranks fourth in small loans to businesses behind national providers American Express and Mountainwest Financial Corporation. Affiliated American National Bank and Trust was the third leading small business lender. For loans to businesses with revenue less than $1 million, FNBC's market rank increases to second. These facts indicate strong performance in the volume of small loans to businesses and in the bank's focus on small businesses.

As previously mentioned, FNBC's focus on the smallest of lenders is indirectly through the ACCION Micro Lending Program. FNBC helped to found this program, and today ACCION is one of Chicago's largest micro-lending programs which serves small businesses. Through this program the bank has helped address the needs of very small businesses which are located primarily in Hispanic communities on the West and Southwest sides of the City. It should be noted that the loans made through the ACCION program are not reflected in FNBC's small business loan totals.

Consumer Lending

•The distribution of consumer loans among individuals of different income levels is excellent.

FNBC's level of consumer loans to low- and moderate-income borrowers exceeds the percentage of families within the assessment area who are low- and moderate-income on a comparative level. In the six county assessment area, FNBC made 23% of their consumer loans to low-income persons which compares favorably to the percent of families that are low-income at 20%. FNBC made another 23% of its consumer loans to moderate-income persons compared to 17% of families in that income category. The same is true for the bank's consumer lending to low- and moderate-income persons living in the City. Specifically, the bank made 36% of its consumer loans to low-income persons and 28% to moderate-income persons as compared to the 35% and 20% of the families in those income categories. This represents an excellent distribution of consumer loans to the low- and moderate-income persons.

Credit Card Lending

•The amount of credit card loans provided to borrowers of different incomes is excellent.

The bank made 31% and 26% of its credit card loans to borrowers with low- or moderate-incomes. This compares very favorably with the percentage of families in these income categories (20% low- and 17% moderate-income) in the assessment area. For the City, credit card lending to low- or moderate-income borrowers is 37% and 29%, respectively. This level exceeds the relative opportunity to lend with 35% and 20% of the families in the city represented in these income categories. The suburban area has 26% and 24% of the credit card loans to low- or moderate-income borrowers, respectively. Again, the bank's lending exceeds the relative opportunity with only 12% and 16% of the families in the area in these income categories. The combination of lending in the City, suburban areas and entire assessment area represents an excellent distribution of credit card loans, especially to the low- and moderate-income persons.

Community Development Lending

•The bank is a leader in making community development loans.
•The bank has demonstrated leadership and made significant use of innovative and complex products to support community development lending.
•The bank exhibits excellent responsiveness to credit and community economic development needs.

The bank's community development lending includes 64 loans totaling $30 million for the development of affordable housing and 48 loans totaling $57.9 million for economic development purposes. The total volume of lending is significant.

Additional support for community develop has been provided through the issuance of standby letters of credit. Standby letters of credit are not considered loans for evaluation purposes, but are considered as additional information regarding the bank's level of activity. Two standby letters of credit totaling $13.7 million were noted.

The bank's lending activity is split relatively evenly between 1996 with 55 loans and 1997 with 53 loans. The focus of the lending activity shifted significantly between the two years and is an indication of the responsiveness of the bank's lending to the community's needs. During 1996, 78% of the bank's community development loans were for the development of affordable housing. This type of lending continued in first nine months of 1997, but that year 64% of the lending related to economic development. This shift was the result of an increased emphasis by management on commercial development in depressed areas.

The lending includes 8 loans totaling $3.4 million carried in the bank's community development corporation, First Chicago Neighborhood Development Corporation (FCNDC). The loans were made by FCNDC as opposed to the bank because they do not meet regular credit criteria. Included in these totals are 3 participations in loan pools designed to create community development lending capacity in other entities. There are also 5 loans made outside of normal lending criteria to facilitate community development projects. For example, one of the loans is a second mortgage to cover an equity gap in a project to renovate a rundown commercial building and convert it to retail space. It is anticipated that the development will create 30 jobs in a low- and moderate-income neighborhood. This lending activity is an indicator of leadership and flexibility.

The bank uses a comprehensive approach to community development. As detailed under the Investment Test, management feels that in order to have a chance to significantly change an area, community development efforts must be concentrated geographically. The efforts must also be comprehensive in terms of addressing affordable housing, economic development and social services. For this reason, the bank has concentrated many of its activities in designated focus neighborhoods. These neighborhoods are Little Village, Grand Boulevard and the most recent addition North Lawndale.

The bank's community development lending activities are illustrated in the following examples.

• The bank has a program for the financing of smaller mixed use properties. This program was developed in 1996 as a result of input from community organizations. The problem the groups highlighted was mixed-use properties which were blights on the community. These properties were too small for major developers and too large for the average "mom and pop" owner. The bank developed a program with lower down payments, higher levels of subordinated financing and lower debt coverage ratios. The program allows loans for acquisition, acquisition and renovation, and refinance and renovation. The original pilot program was successful, generating six loans totaling $808,000. Two additional loans totaling $264,000 have been approved. This program was recently extended for another ten loans with $1,500,000 authorized.

•FNBC was involved in a project to gut rehab two mid-rise, low-income historic apartment buildings containing 381 units. The deal totaled $30 million and involved 10 layers of financing including tax-exempt bond financing, low-income housing tax credits, historic tax credits, two TIF districts, the Chicago Department of Housing, the Illinois Housing Development Authority as well as the Federal Home Loan Bank. The bank's portion was structured in two parts. One part was tax exempt and the other was taxable. The bank also provided the bridge financing for equity from an investor.

•An example of the bank providing leadership involves the recent announcement of a regional grocer committing to build a full service store in North Lawndale. The bank approached the grocery store chain with a proposal. The bank had prepared preliminary feasibility studies, demographic information, and took the principals on a tour of the area. Through negotiations, an entire strip mall and grocery store deal was consummated. As an additional incentive to the grocer and to ensure maximum benefit to the community, FNBC contacted LISC and together they committed to two year grants for a job training program for residents of the community. This commitment was to ensure the store's employees could be hired from the neighborhood. The grocery store is considered a key development for this area. The neighborhood lacked a full service grocery store and this development will also attract additional retail businesses. In order to help anchor the shopping center and to attract additional tenants, the bank offered to open a full-service supermarket branch in the grocery store. The bank is participating in the construction loan for this project. The process of putting this deal together took approximately 18 months.

•The bank also financed three first run, multi-screen movie theaters located in North Lawndale, Chicago Lawn and Chattham. Magic Johnson sponsored a similar theater project in South Central Los Angeles. The objectives of the project are to create entertainment alternatives for residents in the area, provide jobs, and attract additional retail development to the area. Management provided significant technical assistance to the developer. The project included multiple layers of financing, including two layers provided by FCNDC. The opening occurred in November 1997. This project was the first economic development in this area in over thirty years.

•The bank assisted a local developer in rehabbing an abandoned building into a strip shopping center. The bank provided technical assistance in structuring the deal, which is the largest ever undertaken by this community-based developer. The bank introduced the developer to a property leasing firm to give them advice on marketing and leasing the property. In addition, the bank offered to open a loan production office to anchor the shopping center and to attract additional tenants. This project is located in an Empowerment Zone, with financing provided by a bank loan, an Empowerment Zone grant and mezzanine financing by FCNDC.

•The bank has participated in lines of credit which bridge equity to be invested in low-income housing tax credit projects throughout the Chicago land area.

•FNBC made a loan to purchase a building and renovate it into an Affordable Day-Care facility. The day care service approached the bank concerning the project, but lacked a developer for the property. A developer was found through the bank's efforts, then financing for the project was provided.

•An economic development organization was provided a grant in order to perform pre-construction feasibility studies to complete a project. The bank then provided technical assistance with the studies as well as provided part of the financing.

Product Innovation and Flexibility

•The institution uses innovative and/or flexible lending practices in order to serve assessment area credit needs.

Consumer Lending

During 1997, FNBC introduced the "Community Pride Loan" which has flexible features. This loan is targeted to households with less than 50% of the median family income. The types of loans offered under this program include home equity, auto purchase, and home improvement loans. The flexibility in this product is that an applicant's debt-to-income ratio can be up to 50% and loan amounts are as low as $500. The bank has originated more than 1,200 loans totaling $25 million through September 1997.

Credit Card Lending

FCC National Bank offers a secured credit card product which demonstrates flexible lending in the credit card area. This product assists individuals who need to establish a credit history. One of the most recent changes to make the product more flexible is the elimination of the debt-to-income ratio as an underwriting criteria. As of September 30, 1997, 1,895 of these loans had been made with total lines aggregating $1.3 million.

Home Mortgage Lending

FNBC offers a number of flexible mortgage loan programs which include either down payment assistance, grants for closing costs, or reduced rates and fees. The bank is one of only two lenders in partnership in the New Beginnings program. Under this program, a local developer builds homes in the $76,000 to $85,000 price range on lots owned by the city of Chicago. The lenders provide affordable financing including reduced rates, low down payment programs, and down payment and/or closing cost assistance. Through September 1997, 18 loans totaling in excess of $1.7 million had been extended.

FNBC provides grants ranging from $1,500 to $2,000 for down payment and/or closing cost assistance through its Empowerment Zone Down Payment/Closing Cost Assistance Program. This program targets low- or moderate-income individuals purchasing their first home. Grants awarded through September 1997 total $75,500 and have resulted in 48 loans for approximately $4 million.

A special mortgage promotion targets the East Garfield, West Garfield, and North Lawndale communities. The program includes a $275 credit towards closing costs and a 1 point reduction in fees. This program began at the end of June, and two loans for $126,525 had been originated by September 1997.

In conjunction with community development lending to the Chicago Roseland Coalition for Community Control, FNBC will make low down payment loans available to the purchasers of the rehabbed properties.

FNBC also offers the Community Home buyers (CHB) products which are prevalent in the industry. The bank participates in the CHB 97 (97% of purchase price can be financed), CHB 3/2 (requires only 3% down payment with the other 2% coming from a gift or grant), and CHB 95 Acquisition/Rehab (95% of purchase price is financed).

FNBC is one of only three lenders in the area to offer a reverse mortgage product. Since very few lenders offer this product, it was considered innovative in addition to being flexible. This product provides individuals another method to access funds by using the equity they have in their homes.

Small Business Lending

The bank offers and uses a variety of flexible small business loan products which help to serve the credit needs of their assessment area. Specifically, FNBC offers a product called the "Business Express Loan and Line of Credit." This product streamlines the application process for loans between $2,500 and $35,000. The bank has originated approximately 220 loans totaling $2.6 million under this program since its inception on March 31, 1997. The simplified application process, quick response time from bank personnel, and small dollar loan amounts make this product flexible.

FNBC participates in and is a leader in the State of Illinois' Department of Commerce and Community Affairs Capital Access Program (CAP). CAP is designed to encourage institutions to make loans to small and new businesses that do not qualify under conventional lending policies. CAP is a form of loan portfolio insurance which provides coverage to the lender on loan defaults. By participating in CAP, lenders have available to them a proven financing mechanism to meet the financing needs of Illinois' small businesses. Other flexible features under this program include the loan amount, terms, rates, fees, and collateral. FNBC originated 44 CAP loans since its inception in February 1997. This is four times the volume of the second highest lender with 12 loans. The bank's average loan amount is $26,350.

FNBC actively participates in Small Business Administration (SBA) lending programs. Their activity in the SBA program ranks second amongst other bank holding companies in Illinois. For the year ending September 30, 1997, the bank originated 50 SBA loans totaling $7.7 million. This level of involvement in SBA programs demonstrates an initiative to serve businesses of different sizes, particularly very small businesses. FNBC has been a certified SBA lender since July of 1994. Recently, the bank became a “preferred lender” for the SBA which allows them to use a streamlined approval process.

INVESTMENT TEST

FNBC’s performance under the Investment Test was evaluated in terms of the volume of qualified investments and grants; the level of innovation and complexity associated with the investments; the degree to which the investments and grants responded to the credit and community development needs of the bank’s assessment areas; and, the degree to which these investments and activities are not routinely provided by private investors.

Conclusions

- The bank has a significant level of qualified community development investments and grants.
- The bank has acted in a leadership position, particularly for those investments and grants not routinely provided by private investors.
- The institution makes use of innovative and/or complex investments to support community development initiatives.
- The bank exhibits excellent responsiveness to credit and community economic development needs.

Performance Context Issue

- Historically, the bank’s community development strategy focused on community development lending, and this was the result of direct input from community organizations. Expansion of the bank’s community development strategy to include community development investments is a recent phenomenon.

There was an agreement negotiated by a coalition of community organizations with the bank during 1984 after the group filed a CRA protest against the bank. The agreement basically called for the bank to offer certain types of community development loans. As a direct result of the agreement, the bank’s neighborhood lending division was created. Compliance with the agreement and additional strategic input to the bank has been provided through the Neighborhood Lending Review Board (NLRB) which continues to meet quarterly with bank management. The original agreement was extended with new goals set in February 1995.

The NLRB identified the need for equity investments during 1995 and the bank began to restructure its community development corporation. The topic was also raised during the merger application process between First Chicago Corporation and NBD Bankcorp (3Q95). At that time, an additional CRA agreement was negotiated by a coalition of community organizations. This new agreement requested the bank’s participation in direct investments. Before 1995, the bank’s participation had been indirect through the Chicago Equity Fund. The bank’s primary vehicle for community development investments is the First Chicago Neighborhood Development

Corporation (FCNDC). This entity was formed in 1984 to help meet the needs of its community outlined in the agreement described above. FCNDC facilitated lending activities by booking pass-through investments in the Chicago Equity Fund. No other activities were performed by FCNDC until 1996 when full time staff was assigned to this entity and the board composition was changed. Individuals were added to the board with expertise in small business finance, tax credit investments and community development. The strategic mission identified for FCNDC was investments which had sufficient size or were strategically located to provide a stimulus for further revitalization of an area. The level of activity and consequently the volume of investments has built up over the evaluation period.

Supporting Comments:

FNBC has made 341 qualified investments totaling $69.3 million or 1.7% of Tier One Capital as of September 30, 1997. This includes 307 grants and donations totaling $4,222,000, and 10 investments totaling $43 million by the holding company's small business investment corporation (SBIC) subsidiary, First Chicago Equity Corporation. The amount of the SBIC investment only includes projects within the bank's assessment area. Additional details on qualified investments are provided in Investment Table 1 below.

The table discloses the level of qualified investments by year and reflects that FCNDC has substantially increased its investment activity over the last two years.

QUALIFIED INVESTMENTS

Type of Qualified Investment	**Outstanding Since Last Examination**		**October 1995 through December 1995**		**1996**		**1997**		**Totals**	
	#	$	#	$	#	$	#	$	**#**	**$**
Investments	2	1,530	2	3,415	4	1,820	16	15,352	**24**	**22,117**
Grants	N/A	N/A	49	915	151	1,795	107	1,512	**307**	**4,222**
SBIC*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**10**	**43,000**
Total	**2**	**1,530**	**51**	**4,330**	**155**	**3,615**	**123**	**16,864**	**341**	**69,339**

Source: Verified Internal Reports

* Small Business Investment Corporation - First Chicago Equity Corporation - Unable to break down capital investments by year within the Assessment Area.

FNBC has implemented an effective community development strategy. The strategy includes concentrating efforts in targeted areas to maximize the impact and to make development comprehensive in scope. Management believes that revitalizing neighborhoods requires addressing affordable housing, economic development and services such as job training and day care. It is noted that this approach to community development is the strategy endorsed in the community development planning project study titled “Changing The Way We Do Things”. This study was discussed in greater detail in the Description of the Assessment Area section of the Performance Evaluation.

The bank initiated this strategy in the Little Village and Grand Boulevard neighborhoods approximately five years ago. The North Lawndale area was recently identified as a third focus area for the bank. Community development activities have included other parts of the assessment area, but the focus has been on these neighborhoods. This community development strategy was a factor in the additional emphasis on community development lending for economic development purposes mentioned under the Lending Test. Community development services have also been part of this neighborhood focus as management resources have been committed to these areas.

Another point to be mentioned about the bank’s community development strategy is that they routinely provide grants to community organizations for operating expenses. This has been a need specifically identified by community organizations. Many grants community organizations receive are project specific, and organizations struggle with funding operating costs. Management decided that since they have ongoing relationships with these organizations, the groups should be able to rely on their continuing and increasing support over time. One of the vehicles the bank uses to provide this support is program related investments. These instruments have a nominal interest rate and specific maturities. However, they are routinely renewed and principle repayment has not been requested.

When FCNDC was reactivated in 1996, its range of activities was expanded to include taking equity positions in community development projects, direct investments in low-income housing tax credits, and making loans which do not met the bank’s regular lending requirements. Developing and offering products such as these demonstrates the bank’s responsiveness to the changing community economic development needs of its assessment area.

The bank’s involvement with most of their community development projects is extensive. Most times, the original meetings with community organizations are brainstorming sessions trying to focus on how to revitalize a property or area. Officers of the bank then contact other groups and officials to determine whether sufficient interest is available to make something work. At times management has introduced other parties such as developers or lenders in an attempt to meet what is seen as a critical need within a community or to support a project that will stimulate additional economic development. FCNDC has funded feasibility studies, market research analyses, and studies of neighborhood demographics, as well as, studies of the changes in the demographics. This information has been used to demonstrate the need or feasibility of projects and to attract key participants. The lead time associated with many projects is one reason the 1997 data reflects increased activity over FCNDC’s first year under its new focus.

Many of the investments made during 1996 and 1997 are considered complex with the bank’s involvement extensive. The average length of time devoted to each project encompasses approximately five to seven months and usually involves three to five bank officers. Part of the leadership role is ensuring deals are executed in a timely manner to prevent parties to the transaction from changing minds or having potential funding sources dissipate. Another way the bank is providing leadership is that in many cases, the bank has assumed two or more portions of the financing. At times this has occurred when quick action is needed to keep the project alive.

One such project is a senior citizen housing project in the Northwest suburbs. The developer's option to purchase the land was expiring and the property owner declined to renew or extend the option. The financing package had not been completed, so the project was in jeopardy of falling apart. In order to keep the project alive, the bank financed the purchase of the property by the non-profit in a transaction that could only be repaid through successful completion of the project. Subsequently, the financial package was completed, and the bank now holds $1.3 million of low-income housing tax credits on the project.

An example of an innovative investment is an "equity equivalent" investment in a community development loan fund. This was the first equity equivalent investment done in this geographic area. An equity equivalent investment is a loan with equity like features such as a nominal interest rate and a rolling ten year maturity. As long as the organization complies with the covenants of the agreement, the loan will not have to be repaid. This instrument provides the organization with stability of funding and allows them to offer longer-term financing to its borrowers.

The first direct tax credit deal done by the bank was the gut rehab of two 18 unit apartment buildings in the Grand Boulevard community. This is a low-income area and 80% of the building's tenants are in the Section 8 housing subsidy program. The bank purchased 100% of the low-income housing tax credits. The purchase/rehab loan was done by the Illinois Housing Development Authority. This transaction was complex.

Another method of financing the bank has used is equity investments in limited liability corporations. One project noted was a $45,000 investment in a joint venture with four other entities that built ten 2 flat homes for sale at an affordable price. The New Homes Chicago Program was a source of $25,000 of subsidy funds for each building.

The bank also made a $2 million investment ($16 million total raised) in a Community Development Financial Institution (CDFI) which allowed them, with other equity and financing, to purchase a minority owned bank that was for sale. This was significant acquisition for the CDFI in terms of size, moving into new parts of the community, and expansion in retail banking.

SERVICE TEST

To assess FNBC's level of performance under the Service Test, we evaluated the availability and accessibility of the bank's locations (branches and ATMs), the hours of operations, levels of service, and its record of opening and closing offices. Additionally, we reviewed the bank's alternative delivery systems, and the level of community development services provided.

Performance Context Issues

•The merger with NBD Illinois in 1996 significantly impacted the bank's distribution of branches between the city and suburbs, and the bank's record of opening and closing offices. NBD Illinois contributed 67 branches to the merger and with the exception of one downtown branch, they were all located in the suburbs. The merger impacted the bank's record of opening and closing offices as 27 branches were closed and consolidated into nearby locations as a result of duplication in the branch networks of the two merging banks. None of the closed branches were located in low- or moderate-income areas.

•Restrictions on branching under Illinois state banking law affected how banks developed their branch networks and as a result their distribution of branches.

Until 1969 banks in Illinois were restricted to a single location. The restriction on the number of branches allowed was gradually eased over time until 1993 when the restrictions were totally removed. Due to the limits on branching, the state had a large number of banks. As the restrictions were eased, the primary method used by this and other banks to expand their branch network was through acquisitions. Acquisitions were the preferred method of expansion due to the cost of building new branches.

•The bank's assessment area includes a number of areas in the suburbs not historically served by the bank. Some of these areas contain low- and moderate-income census tracts.

As part of the new CRA regulation, banks have been encouraged to include whole geographies such as MSA's or counties in their assessment area. Then under the performance context, expectations for performance are to be adjusted regarding the bank's ability to serve these areas.

The outlying portions of FNBC's assessment area includes areas not historically served by the bank's branch network, and this analysis takes that into account. This is true of much of the northern two-thirds of Lake County, much of McHenry County, western Kane County, and Aurora in southeast Kane County, and much of Will County. Some of these areas are primarily rural, but some of the low- and moderate-income areas outside of Chicago are included in these areas. Low- and moderate-income areas not readily served by the branch network are located in Waukegan, North Chicago and Aurora.

•During the evaluation period, the bank has focused on expanding its branch network by placing branches in grocery stores. A significant factor in this strategy is the cost of building stand alone facilities.

This is a performance context issue as there are many low- and moderate-income areas of the city of Chicago which do not have grocery stores.

Conclusions

•Essentially all portions of the bank's assessment area have reasonable access to the bank's branch network.

•Access to banking services is moderately enhanced by the bank's ATM network. The majority (53%) of the bank's ATMs are attached to branches and provide additional access through expanded hours. The significant number of ATMs not attached to branches (350) provide additional locations to access banking services, but many of these ATMs (63%) do not accept deposits.

•The level and type of services provided are substantially the same throughout the assessment area including in low- and moderate-income geographies.

•FNBC has a good record of opening and closing branches and has improved access to branches from low- and moderate income areas. A significant number of branches have been closed, but none were in low- or moderate income areas. Expansion of the branch network has included additional branches in low- and moderate-income areas.

•FNBC is a leader in providing community development services.

Discussion of Performance

FNBC has the largest branch network in the Chicago MSA with 147 offices and 742 proprietary automated teller machines (ATMs). The bank's retail delivery systems (branches and deposit taking ATMs) are accessible to essentially all portions of the assessment area. The tables below reflect that 18% of the bank's branches are located in the city of Chicago versus 82% in the remainder of the assessment area. This concentration results in part from the merger with NBD Illinois in 1996, and other acquisitions of financial institutions before that. The fact that LMI areas are concentrated in the city of Chicago and the large number of branches in the suburbs result in the percentage of branches in low- and moderate-income areas being low. The distribution of branches in the city of Chicago by income level of census tract is significantly better than the distribution of branches overall.

The conclusion that access to banking services is reasonable for essentially all portions of the assessment area took into account the dispersion of branches throughout the assessment area, the distances between branches, and the distribution of branches by income level of census tract. In the city of Chicago, there were no unreasonable gaps in the branch network. Access to branches was more convenient for some parts of the community, but access to branches was reasonable for all parts of the city.

It should also be noted that in the city of Chicago there are several census tracts which do not have income designations in terms of low-, moderate-, middle- and upper-income. These tracts include the bank's main office in downtown Chicago. As a result, the main office, 18 attached ATMs, 13 detached, full service ATMs and 4 detached, limited service ATMs are not classified by the income level of the census tract in which they are located.

In the parts of the assessment area outside of the city of Chicago access is also considered to be reasonable based upon the performance context discussed above. There are relatively few low-and moderate-income areas in the suburbs and this fact contributes to a lower percentage of branches in low- and moderate-income areas.

The bank's ATM network moderately enhances access to banking services. Access is enhanced by ATMs expanding the hours of service at branch locations when ATMs are attached to branches, and by providing additional locations through ATMs dispersed in the community. A total of 392 of the bank's 742 ATMs are attached to branches. The remaining 350 ATMs are dispersed throughout the assessment areas. Included in that total are 132 full service (deposit taking) ATMs with the remainder cash dispensing machines. Only 11 of the 132 full service ATMs are in low- or moderate-income areas.

In an effort to provide greater access to banking services in low-income areas, the bank's number of monthly transactions required to upgrade a cash dispensing machine to a full service ATM has been reduced by 25% for ATMs located in low-income areas. Since our last evaluation, a total of eight ATMs were converted to full service and seven of these were located in the southern half of the city of Chicago and one on the West side. Management also places bilingual ATMs in areas where 25% or more of the population is Hispanic.

Most of FNBC's branch locations provide service between 9 A.M. and 5 P.M., Monday through Friday, and between 9 A.M. and 1 P.M. on Saturday. There are 33 branches located in Dominick's supermarkets, and they have Sunday hours. The variation of hours between branches appears equitable and does not adversely impact low- or moderate-income areas.

There is no significant variation in the services offered through branches. Some of the branches located in Dominick stores are Express Centers with routine teller transactions offered through ATMs. Other services such as selling cashiers checks and money orders are still offered.

In an effort to expand access to banking services, the bank opened a Community Loan Center in June of 1997 in the North Lawndale area of Chicago. The center is located at 3333 W. Arthington, a low-income area, and offers a full service ATM; all loan products offered by the bank, bank-by-phone services, and community development seminars and workshops.

FNBC's Total Assessment Area
SERVICE TEST: Chicago MSA #1600

Service Type	#	Low % #	Moderate % #	Middle % #	Upper % #
Branch Offices (#)	147	4.1%	5.4%	42.2%	47.6%
		6	8	62	70
ATMs - Attached to Branches	392	4.9%	8.7%	37.2%	44.6%
		19	34	146	175

ATMs - Detached - Full Service	132	1.5%	6.8%	20.4%	61.4%
		2	9	27	81
ATMs - Detached - Ltd Service	218	7.8%	16.5%	31.2%	42.7%
		17	36	68	93

Source: Bank records

City of Chicago **SERVICE TEST: Chicago MSA #1600**					
Service Type	#	Low % #	Moderate % #	Middle % #	Upper % #
Branch Offices (#)	27	18.5%	25.9%	33.3%	18.5%
		5	7	9	5
ATMs - Attached to Branches	135	13.3%	25.7%	23.7%	25.9%
		18	32	32	35
ATMs - Detached - Full Service	65	3.1%	13.8%	7.7%	55.4%
		2	9	5	36
ATMs - Detached - Ltd Service	117	14.5%	20.5%	21.4%	40.2%
		17	24	25	47

Source: Bank records

Aggregate Outside the City of Chicago **SERVICE TEST: Chicago MSA #1600**					
Service Type	#	Low % #	Moderate % #	Middle % #	Upper % #
Branch Offices (#)	120	.8%	.8%	44.2%	54.2%
		1	1	53	65
ATMs - Attached to Branches	257	.4%	.8%	44.4%	54.5%
		1	2	114	140

ATMs - Detached - Full Service	67	0.0%	0.0%	32.8%	67.2%
		0	0	22	45
ATMs - Detached - Ltd Service	101	0.0%	11.9%	42.6%	45.5%
		0	12	43	46

Source: Bank records

The bank's record of opening and closing offices is good. There were no branches closed in low- or moderate-income areas and 5 were opened during the evaluation period. The biggest impact resulted from the merger with NBD Illinois. The merger added 67 branches to the bank's network, but 27 were closed and consolidated into nearby branches to reduce duplication in the branch system. In addition to activity resulting from the merger, the bank closed 6 branches and opened 31 new locations. For the branch closures, management provided the appropriate customer notification and analyzed the potential adverse impact, if any, that these closings would have on the community

The 31 branches opened were distributed as follows: 3 (10%) low-income; 2 (6%) moderate-income; 12 (39%) middle-income; and 14 (45%) upper income. Of the 31 branches, 7 (23%) are within the city of Chicago, three are in low-income census tracts, and one is in a moderate-income census tract. These 31 new locations included 27 in-store locations and represents FNBC's largest expansion not attributed to an acquisition or merger of another financial institution. Additionally, FNBC plans to open 21 new Dominick's supermarket in-store locations during 1998 and five will be in either a low- or moderate-income area.

FNBC offers alternative delivery systems which enhance access to banking services. Customers can apply for loans using these systems. They can also open deposit accounts. The use of these services for deposit transactions is limited. The following are services offered:

First Direct - FNBC's personal banking service which provides telephone banking 24 hours a day, 7 days a week to open checking and savings accounts, apply for mortgages, personal loans or credit card, verify balances and deposits, place stop payments, or order new checks, travelers checks and foreign currency.

Internet Banking - FNBC's offers banking services to anyone having access to the Internet. Through this system, individuals can apply for personal checking and savings accounts, have access to personal account information, make loan applications, and view the various credit products and insurance services.

BankMobile Unit - This is a mobile unit used for outreach purposes. Employees are available to open checking and savings accounts, Certificate of Deposits, and take loan applications. Additionally, FNBC uses this unit to help educate communities regarding the products and services they offer. FNBC recently purchased a new BankMobile that has a full service ATM.

Plans are underway for the unit to be stationed in distinct locations on a regular basis. This may help to provide services in communities where there are no banks.

Community Development Services

FNBC is a leader in providing community development services. Many of these services are just one part of the bank's work with a community organization or part of the development of a neighborhood. There are usually loans, investments or grants associated with the service provided where the services laid the ground work or provided continuing support for a project. A number of the examples provided under Community Development Lending and the Investment Test, indicate the commitment of management time and resources to projects. Additional examples follow.

FNBC has worked to develop micro lending intermediaries in its assessment area. They played a lead role in the creation of the ACCION program in Chicago. Currently, they provide an operating grant, a senior officer of the bank is President of the Board of Directors, they provide meeting space for board meetings and have provided technical assistance in fund raising efforts. ACCION has decided to expand its targeted market area to include additional low- and moderate-income areas, and FNBC has committed to fund the hiring of a new loan officer to support this effort.

The bank assisted an economic development organization in building the capacity for real estate development. They introduced the organization to private sector developer and contributed the time of a bank officer with real estate experience. The bank brought Local Initiatives Support Corporation (LISC) into the project, and the bank and LISC each provided a grant and a forgivable loan to produce market and feasibility studies. These actions resulted in the group initiating a project to provide affordable single family housing.

FNBC has taken the lead in an effort to address the need for full-service supermarkets in targeted low- and moderate-income areas. First, management worked with several government and community activists in the North Lawndale area to encourage a grocery chain to open a store. FNBC provided an initial market analysis, supplemented with specific knowledge of new development planning in the area. FNBC offered to provide equity in the project and enlisted an additional offer of equity from LISC. Also in partnership with LISC, FNBC has agreed to fund two years of job training efforts to enable Dominick's to successfully hire from the community. Management has offered to create a down-payment assistance program for store employees wishing to live in the area. These efforts took place over a 20 month period concluding with an announcement by the grocer to open the facility.

The bank has been active in community development activities in Lake County. It organized a group of 17 banks to create the Lake County Integrated Loan Program, which offers loans ranging from $500 to $25,000 to small businesses in the county. The banks provide both operating support and loan capital for this micro lending effort. The bank also partnered with three churches in low-income areas of the county in a program designed to provide credit education to Hispanic residents, and to make consumer and mortgage loans more accessible.

Over the last three years, FNBC hosted the Chicago Rehab Network's Housing Development Training Institute (HDTI). HDTI is an 18 part training session in affordable housing development for organizations throughout the six county area. Specific sessions deal with pro forma analysis, sources of development financing, organizational issues, construction management, and property management. FNBC provides space, food, and other support for this series.

FNBC has also participated in 14 Housing Fairs and Trade Shows. Members of the bank frequently present lectures, speeches, or participation in seminars that support small business lending. These include information on preparing loan requests and applications and also include specifics of SBA loan programs and their benefits. During 1997, the bank has participated in over 44 community development service events.

Members of senior management and other bank employees provide their technical expertise to groups and organizations which have as their primary purpose community development.

Fair Lending Review

We performed a fair lending examination of the bank's indirect automobile financing and did not detect any illegal discrimination on the basis of applicant's gender. Indirect automobile loans are credit scored and the review focused on credit score overrides. Overrides are where the credit decision is different than the action that would have been taken based solely on the credit score. Indirect auto loans were selected for review due to a significant number of overrides. A consumer loan product was selected because we had examined mortgage lending for illegal discrimination on the basis of race in two previous examinations.