



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

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Community Reinvestment Act Performance Evaluation

First National Bank of Illinois

Charter Number: 14512

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NOTE: This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **First National Bank of Illinois, Lansing, Illinois**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **November 15, 1999**. The agency evaluates performance in Assessment Areas (AA), as they are delineated by the institution, rather than individual branches. This AA 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.

Affiliate - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which CTs have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

Community Development (CD) - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

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 the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Full-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area 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 the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Limited-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Low-Income - Income levels that are less than 50% of the median family income.

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 geographies. 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.

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

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

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

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders equity, perpetual preferred shareholders equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Overall CRA Rating

Institution's CRA Rating: This institution is rated **SATISFACTORY**

The following table indicates the performance level of the **First National Bank of Illinois, Lansing, Illinois**, with respect to the Lending, Investment, and Service Tests:

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

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- < Lending levels reflect an adequate responsiveness to the credit needs of the assessment area (AA).
- < The bank made an adequate percentage of loans within its AA.
- < The geographic distribution of loans reflects adequate penetration throughout the AA.
- < The distribution of lending by income level of the borrower reflects a good penetration among retail customers of different income levels and an adequate penetration to businesses of different sizes.
- < The bank exhibits adequate responsiveness to community development needs through its investments.
- < An adequate level of community development services is provided by First National Bank of Illinois, Lansing, Illinois, (FNBI).

Description of Institution

First National Bank of Illinois (FNBI) is an intrastate bank and is a wholly-owned subsidiary of First Lansing Bancorp, Inc. a one bank holding company. First Lansing Bancorp, Inc. owns 40% of Support Services, LLC, which provides data processing services to First National Bank of Illinois. FNBI is affiliated, through common ownership, with Mercantile National Bank of Indiana, Hammond, Indiana and Home State Bank N.A., Crystal Lake, Illinois. FNBI is located in Lansing, Illinois. Lansing is 25 miles south of the city of Chicago along the Illinois/Indiana state border. The bank has five full-service locations serving the retail and commercial customers in the far southeastern portion of Cook County and the central portion of Will County. Two of the full-service locations are in Lansing, one is in Lynwood, Illinois, one is in Joliet, Illinois, and one is in Mokena, Illinois.

There are no legal or financial factors that would impede FNBI's ability to meet the credit needs of its communities. The bank's total assets as of September 30, 1999 were \$291 million and the loan-to-deposit ratio was 52%. Net loans represented 42% of total assets. Residential real estate lending represents the second highest percentage of loans in the bank's portfolio. The bank does not make agricultural loans. As of September 30, 1999, the loan portfolio was comprised of commercial loans \$50 million (43%), commercial real estate loans \$19 million (12%), residential real estate loans \$38 million (31%), and consumer loans \$17 million (14%). Tier one capital was \$33.6 million or 12% of total assets.

FNBI provides a full range of traditional retail and commercial bank products. The bank's focus has primarily been commercial lending. However, since establishing a presence in Will County in mid 1995 with the Joliet branch, the bank's strategy to grow its market share there has been to focus on real estate lending.

Scope of the Evaluation

Evaluation Period/Products Evaluated

In evaluating FNBI's CRA performance, we considered the bank's CRA activities since the last evaluation, dated September 19, 1997. The bank received a Satisfactory rating at that review. The current evaluation reflects lending performance from January 1, 1997 through June 30, 1999. We evaluated investment and service test performance from September 19, 1997 through November 15, 1999.

Data included home mortgage loans (HMDA) and small business loans (CRA). HMDA data included loans for home purchase, home improvement and the refinancing of home mortgage loans. CRA data included small business loans less

than \$1 million. We analyzed the community development loans the bank made from January 1, 1997 through June 30, 1999.

Data Integrity

The Community Reinvestment Act requires that banks, other than small banks, collect and maintain certain data regarding originations and purchases of small business, small farm and HMDA loans.

As part of our evaluation, we performed a data integrity review on the bank's HMDA and CRA data by comparing information from the bank's loan application register to actual loan files. We found the HMDA data to be reliable.

We identified errors in the bank's publicly reported 1997 and 1998 CRA data, as well as in year-to-date (06/30/1999) accumulated data. The majority of the errors were a result of the bank reporting loans as small business loans that were actually non-reportable loans. Subsequent to the data integrity review, the bank corrected the errors and revised the CRA loan application register. As a result, we were able to evaluate the bank's distribution of small business loans based on accurate data.

Selection of Areas for Full-Scope Review

The bank has two AAs. One is in Cook County, Illinois and one is in Will County, Illinois. Both AAs are in the Chicago MSA (1600) and the counties are contiguous political subdivisions. The AAs were combined for analysis purposes and will be referred to as one AA throughout this evaluation. We performed a full scope review. (Refer to the table in Appendix A for detailed information.)

Fair Lending Review

We performed a fair lending review to test the bank's compliance with anti-discrimination laws. We used a statistical loan sample of the bank's home improvement loan files. We reviewed thirty-six control group files and 9 prohibited basis group files. We performed a comparative file analysis using race as the prohibitive basis. We did not identify any violations of the substantive provisions of the anti-discrimination laws and regulations with respect to home improvement loans. The bank has adequate fair lending policies and training programs in place.

Conclusions with Respect to Performance Tests

LENDING TEST

Lending Activity

Refer to Table 1 in the Metropolitan Statistical Area (MSA) 1600 section of Appendix C for the facts and data used to evaluate the bank's lending activity.

We rated the bank's performance under the Lending Test **Low Satisfactory**. Our conclusions are based on the following:

- Lending volumes reflect an adequate responsiveness to credit needs in the AA.
- An adequate number of the bank's loans are made within the AA.
- The distribution of lending to borrowers of different income levels and to businesses of different sizes is good.
- Deposit market share compares favorably to lending market share.
- The bank made 21 community development loans for \$2.8 million during the evaluation period.
- The bank uses flexible loan products to help meet identified credit needs.

FNBI's overall lending activity reflects an adequate level of responsiveness to credit needs in the AA. The bank's loan-to-deposit ratio as of 09/30/1999 was 52%. The average loan-to-deposit ratio for the bank's peer group was 57%. The bank's competition is strong with larger local institutions and large regional institutions competing for deposits and loans.

Information on deposit market share compiled by the FDIC for 1998 ranked FNBI at 80 out of 317 FDIC insured institutions in the Cook County portion of the AA. FNBI's deposit market share for Cook County is 0.17%. In the Will County portion of the AA, the bank ranks 24 out of 37 FDIC insured institutions reporting deposits. The bank's deposit market share for Will County was 0.65%. The bank's overall market share for 1998 HMDA loans was 0.44%, while the approximate overall market share for small loans to businesses was 0.27%. When we compare the bank's market share by loan product to deposit market share, the bank's volume of lending is adequate.

The bank's level of HMDA loans is good considering its size, resources and lending strategy. During this evaluation period, FNBI originated 211 or 59% (\$12.6 million) of its total residential real estate loans within the AA. The bank's level of small business lending is adequate. The bank made 248 or 47% (\$9.4 million) of its small business loans within the AA during this evaluation period. This percentage is considered reasonable due to the bank's change in focus from commercial lending to real estate lending, in the Will County portion of the AA. Additionally,

the bank extended a significant number of small business loans in cities and towns adjacent to the AA, along the Indiana/Illinois border. FNBI did not include the adjacent geographies in its AA because it does not have a branch within the area where the communities are located.

FNBI made 21 (\$2.8 million) loans that meet the definition of community development during this evaluation period. The bank made 19 loans (\$885,200) using flexible lending products. A more detailed discussion of the bank's lending by product type can be found under individual product headings.

We performed a lending gap analysis to determine if there were any "conspicuous" gaps in the distribution of loans throughout the bank's AA. Although the bank did not extend loans in all 45 census tracts (CTs) that make up the AA, no conspicuous gaps exist. The majority of CTs with no activity are in the Will County portion of the bank's AA. These CTs do not immediately surround any bank offices and are in the area where the bank's presence is relatively new and competition is strong.

Home Mortgage Loans

Refer to Tables 2, 3 and 4 in the MSA 1600 section of Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations.

Overall, FNBI's geographic distribution of home mortgage loans is adequate. Our conclusions are based on the following:

- Home mortgage lending reflects a good overall distribution of loans in low-and moderate-income CTs.
- Home purchase loans reflect an excellent distribution in low- and moderate-income CTs.
- Home improvement loans reflect a good distribution in low-income CTs.
- Home mortgage refinance loans reflect a good distribution in low-income CTs and an adequate distribution in moderate-income CTs.
- Overall market share is reasonable for HMDA and small business loans.

Home Purchase Loans

The bank's geographic distribution of home purchase loans is excellent in low- and moderate-income CTs within the AA. During this evaluation period, FNBI made 10.34% of its home purchase loans in the low-income CTs and 10.34% in moderate-income CTs. The bank's percentage of home purchase loans in both low- and moderate-income CTs exceeds the percentage of owner-occupied units (2%) in low-income CTs and the percentage of owner-occupied units (9%) in moderate-income CTs.

Aggregate 1998 HMDA data reports 51 lenders extending 140 home purchase loans in low-income CTs within the bank's AA. FNBI ranks 42nd in home purchase market share in low-income CTs. Aggregate 1998 HMDA data also reports 107 lenders extended 516 home purchase loans in moderate-income CTs. FNBI ranks 51st in home purchase loans in moderate-income CTs during 1998. Market share by geography in low-income CTs (0.7%) and in moderate-income CTs (0.4%) exceeds overall market share (0.3%) for home purchase loans.

Home Improvement Loans

The bank's geographic distribution of home improvement loans reflects good performance in low-income CTs within the AA. During this evaluation period, FNBI made 2% of its home improvement loans in low-income CTs. The bank did not make any home improvement loans in the moderate-income CTs in the AA. The bank's percentage of home improvement loans in low-income CTs is equal to the percentage of owner-occupied units in the low-income CTs (2%). The percentage of owner-occupied units in moderate-income CTs is 9%.

Aggregate 1998 HMDA data reports only 13 lenders originating 32 home improvement loans in the low-income CTs within the bank's AA. The bank's overall market share for home improvement loans is 2.10%. The bank's market share by geography in low-income CTs for home improvement loans is 3.13% and exceeds the overall market share. Thirty-eight lenders reported extending 200 home improvement loans in the moderate-income CTs.

Refinance Loans

The bank's geographic distribution of refinance loans reflects excellent performance in low-income CTs and adequate performance in moderate-income CTs within the AA. During this evaluation period, FNBI made 3% of its refinance loans, in the low-income CTs and 3% of its refinance loans in moderate-income CTs. The bank's percentage of refinance loans in low-income CTs exceeds the percentage of owner-occupied units (2%) in those CTs, but the percentage is lower than the percentage of owner-occupied units (9%) in moderate-income CTs.

Aggregate 1998 HMDA data reports 79 lenders extended 140 home mortgage refinance loans in low-income CTs within the bank's AA. FNBI ranks 25th in refinance market share in low-income CTs. Aggregate 1998 HMDA data reports that 161 lenders made 754 refinance loans in moderate-income CTs. FNBI ranks 139th in refinance loan market share in moderate-income CTs during 1998

The bank's overall market share for home mortgage refinance loans is 0.3%. Market share by geography for home mortgage refinance loans is excellent with 1.4% in low-income tracts and adequate, with 0.1% in moderate-income tracts.

Small Business Loans

Refer to Table 5 in the MSA 1600 section of Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small business loan originations.

FNBI's geographic distribution of small business loans within the AA reflects poor performance when compared to the percentage of small businesses located in the AA. FNBI made 248 (\$9.4 million) small business loans within its AA during this evaluation period. FNBI did not make any small business loans to businesses located in low-income CTs. Six percent of small businesses within the bank's AA are in low-income CTs. FNBI made 2% of its small business loans in moderate-income CTs. The bank's percentage of small business loans in moderate-income CTs is lower than the 5% of small businesses located in the moderate-income CTs. The bank's overall market share for small business loans is .6%. Market share is .3% in moderate-income tracts.

Poor geographic distribution of small business loans is somewhat mitigated by the short length of time the bank has had a presence in Will County, the bank's strategy to focus on mortgage lending in Joliet, and strong competition.

Small Farm Loans

The bank does not originate small farm loans.

Distribution of Loans by Income Level of the Borrower

FNBI's distribution of loans by income level of the borrower is good. Our conclusions are based on the following:

- Distribution of home purchase and home improvement loans to low- and moderate-income borrowers is excellent.
- Distribution of home mortgage refinance loans to low- and moderate-income borrowers is good.
- Distribution of loans to small businesses is adequate.
- Market share for HMDA loans to low- and moderate-income borrowers and small business loans to businesses with revenues less than \$1 million is reasonable.

Home Mortgage Loans

Refer to Tables 7, 8 and 9 in the MSA 1600 section of Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations.

Home Purchase Loans

FNBI's borrower distribution of home purchase loans is excellent. The bank's borrower distribution of home purchase loans to low-income borrowers is 19% and exceeds the percentage of low-income families. The percentage of low-income families in the bank's AA is 17%. FNBI made 28% of its home purchase loans to moderate-income borrowers. The percentage of moderate-income families in the bank's AA is 19%.

Aggregate 1998 HMDA data reports the bank's overall market share for home purchase loans is 0.30%. Market share for low-income borrowers exceeds overall market share at 0.70%, and for moderate-income borrowers, market share is equal with 0.30%.

Home Improvement Loans

FNBI's borrower distribution of home improvement loans is excellent. The bank's borrower distribution of home improvement loans at 20% exceeds the percentage of low-income families in the AA. The percentage of low-income families in the bank's AA is 17%. FNBI made 23% of its home improvement loans to moderate-income borrowers and exceeds the percentage of moderate-income families in the bank's AA at 19%.

Aggregate 1998 HMDA data reports the bank's overall market share for home improvement loans is 2.10%. Market share for low-income borrowers is 3.80% and exceeds overall market share. For moderate-income borrowers, market share is lower at 1.50%.

Home Mortgage Refinance Loans

FNBI's borrower distribution of home mortgage refinance loans is good. The bank's borrower distribution of home mortgage refinance loans to low-income borrowers at 13%, is lower than the percentage of low-income families in the AA at 17%. Performance in respect to moderate-income borrowers was strong. FNBI made 28% of its home mortgage refinance loans to moderate-income borrowers. The percentage of moderate-income families in the bank's AA is 19%.

Aggregate 1998 HMDA data reports the bank's overall market share for home mortgage refinance loans is 0.30%. Market share for low-income borrowers and moderate-income borrowers exceeds the overall market share with 0.60% and 0.40%, respectively.

Small Business Loans

Refer to Table 10 in the MSA 1600 section of Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations.

The distribution of FNBI's loans to small businesses is adequate. Our analysis revealed that 60% of FNBI's small loans were to businesses with gross revenues of \$1 million or less. In comparison, 71.85% of the small businesses in the AA have gross revenues of \$1 million or less. We also analyzed loans by original amount, regardless of business size. Ninety-four percent of FNBI's small loans to businesses were originated for amounts less than \$100,000. Six percent were originated for amounts greater than \$100,000 and up to \$1 million.

Aggregate 1998 small business data reports that FNBI ranks approximately 55 out of 266 lenders extending small business loans in the bank's AA. This places the bank in the top 20%. The bank performed better than all other small business reporters in the bank's AA, making small loans to businesses with revenues less than \$1 million. Other reporters extended 53.26% of their small business loans in FNBI's AA compared to FNBI's 60%. FNBI's market share of small business loans to businesses with revenues of \$1 million or less is 0.48%.

Community Development Lending

Refer to Table 1 in the MSA 1600 section of Appendix C for the facts and data used to evaluate the bank's level of community development lending.

FNBI made 21 community development loans for \$2.8 million during this evaluation period. The bank made 3 loans for \$55,000 to a local community development corporation (CDC) for three single-family homes in low-income CTs and to low-income borrowers. The CDC serves the bank's AA by providing area municipalities, businesses and individuals, including low- and moderate-income individuals and small businesses, with assistance in obtaining financing.

Working with individual borrowers, the bank made 18 multifamily loans for \$2.7 million. These loans provided 102 units of affordable rental housing for low- and moderate-income individuals and families within the bank's AA.

Product Innovation and Flexibility

The bank participates in local and statewide programs to extend home mortgage loans through flexible loan products. Examples of the bank's participation include:

- FNBI offers the Illinois Housing Development Association First Time Homebuyer loan program. The IHDA program is targeted to low- and moderate-income applicants and offers a reduced interest rate program for a 30 year fixed loan with a 5% down payment. The bank made three (\$231,300) of these loans during this evaluation period.
- Working with the City of Joliet through the city's "Local Homestead Program" the bank has assisted 16 low- and moderate-income families with financing of home mortgage loans. The local homestead loans have relaxed underwriting standards that include higher loan-to-value (95%) and debt-to-income ratios of 40% to 50%. These loans totaled \$653,900.

INVESTMENT TEST

Refer to Table 12 in the MSA 1600 section of Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

The bank's performance under the Investment Test is rated **Low Satisfactory**.

FNBI exhibits adequate responsiveness to community development needs through investments. Our conclusion is based on the needs and limited opportunities identified through community contacts and the bank's size and financial capacity. The bank provides investments in its communities through cash and in-kind contributions and grants to several organizations serving low- and moderate-income residents in its AA. Examples include:

- In October 1999, FNBI invested \$1.2 million in a FNMA pass-through pool. The investment is backed by real estate mortgages, underwritten in the Chicago Metropolitan Area, to low and moderate-income individuals. Less than 10% (\$115,000 par value) of the investment benefits the bank's AA. While consideration is given to the entire investment amount, more significant weight was placed on the portion of the investment that directly benefits the AA.
- FNBI contributed approximately \$34M to 10 different community development organizations during the evaluation period. Of the \$34M, \$10M was contributed to a local organization serving municipalities, low- and moderate-income residents and small businesses that need assistance in obtaining financing.

SERVICE TEST

FNBI's performance under the Service Test is rated **Low Satisfactory**. This conclusion is based on the following:

- The bank employs various delivery systems that make products and services reasonably accessible to individuals of different income levels.

- Branch offices are reasonably accessible to geographies and individuals of different income levels within the AA. Branch hours are reasonable and do not vary in such a way as to inconvenience individuals in the AA.
- The bank provides an adequate level of community development services.

Retail Banking Services

The bank's retail services are good. FNBI has five banking locations. Two in Lansing, one in Lynwood, one in Joliet, and one in Mokena. Four of the bank's locations also have drive-up facilities providing services on extended time schedules, including Saturdays. The Mokena Branch was opened in December 1998. No offices have been closed since our last examination on September 15, 1997. One of the bank's Lansing facilities is located inside the Ultra Food Store. Although all the bank's facilities are located in middle-income CTs, the 1990 Demographic Census Data reveals that within the middle-income CTs, 14.63% of families are low-income families and 20.20% are moderate-income families.

The bank offers a variety of traditional loan and deposit products and services at all facilities. Twenty-four hour telephone banking is available at no cost. To supplement its banking network, the bank has established six deposit-taking ATMs. Bank customers can access their accounts through a large network of ATMs nationwide.

Refer to Table 13 in the MSA 1600 section of Appendix C for the facts and data used to evaluate the distribution of the bank's branch and ATM delivery system.

Community Development Services

The bank's community development services are adequate. Bank employees offer community development services to organizations whose primary purpose is to provide housing to low-income senior citizens and physically challenged individuals who choose independent living. They provide technical assistance and offer no-charge deposit services to the residents.

- One of the bank officers serves as vice president and director of an organization providing his financial expertise in budgeting and planning. This organization provides housing for low-income senior citizens.
- Another officer serves as board member and treasurer of a group that assists physically challenged individuals by providing financial expertise in budgeting and planning.
- Another officer participated with the City of Joliet & Joliet Homestead Program in presenting two homebuyer seminars to first time and low- and moderate-income borrowers. A similar program was also presented in Mokena.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation and loan products considered. The table also reflects the metropolitan area that received comprehensive examination review (designated by the term Full-Scope).

Time Period Reviewed 01/01/1997 through 06/30/1999	Lending Test: 01/01/1997 through 06/30/1999 Investment Test: 09/15/1997 through 11/15/1999 Service Test: 09/15/1997 through 11/15/1999	
Financial Institution	Products Reviewed	
First National Bank of Illinois(FNBI) Lansing, Illinois	HMDA loans, small business loans, community development loans and flexible lending products	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
MSA 1600	Full-Scope	

Appendix B: Market Profiles for Areas Receiving Full Scope Reviews

Market Profile

Demographic Information for the Area: First National Bank of Illinois		Evaluation Period: 01/01/1997 TO 11/15/1999				
Demographic Characteristic	Total	Low Income Tracts	Mod Income Tracts	Middle Income Tracts	Upper Income Tracts	NA Income Tracts
	#	%	%	%	%	%
Geographies (Census Tracts/BNAs)	45	6.67	15.56	62.22	15.56	0.00
Population by Geography	209,447	4.30	14.35	68.70	12.65	0.00
Owner-Occupied Housing by Geography	52,961	1.71	9.30	75.53	13.46	0.00
Business by Geography	7,538	6.02	5.45	71.35	17.18	0.00
Farms by Geography	228	0.88	3.07	77.19	18.86	0.00
Family Distribution by Income Level	54,573	17.25	19.35	28.87	34.53	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	19,974	7.28	17.82	68.66	6.23	0.00
Median Family Income	42,758	Median Housing Value Unemplo yment Rate	108,960			
HUD Adjusted Median Family Income for 1999	63,800		4.55%			
Households Below Poverty Level	10.45%					

DESCRIPTION OF ASSESSMENT AREA

The bank's two AAs are comprised of: the **Lansing-Lynwood Service Area**, located in southeastern Cook County and the **Joliet, New Lenox, Frankfort, and Mokena Service Area**, located in central Will County. The AAs represent portions of the Chicago Metropolitan Statistical Area (MSA 1600). The AAs have approximately 30 miles of distance between the two and do not arbitrarily exclude low- and moderate-income areas. The counties, in which each AA is located, are contiguous. As such, the analyses describing lending, investments and services, within this report, are combined and referred to as one AA.

The combined AA represents 45 geographies, 7% of which are low-income, 16% are moderate-income, 62% are middle-income, and 15% are upper-income. The AA includes geographies where the bank has branches. The following provides more detail for each area:

Lansing-Lynwood Service Area

This AA represents nine geographies in Cook County, IL. The total population of the AA is 43,741. None of the CTs are located in low- or moderate-income areas. Eight (89%) of the CTs are middle-income and one (11%) is upper-income. There are 12,203 families within the AA. Fourteen percent are low-income, 22% are moderate-income, 29% are middle-income, and 35% are upper-income. The median family income for the AA is \$42,785. Seventy-four percent of the local housing is single family units, 75% of which are owner-occupied. The median home value is \$80,890.

The bank's head office and 2 branches are located within this AA. The economy is stable. As of October 1999, the unemployment rate for Lansing was 3.3%. This rate is lower than the Cook County and the Illinois unemployment rates, of 4.4% and 3.9%, respectively. The employment base is mainly services and retail trade. The largest employers include Temperature Equipment, Land of Frost, and Siverline.

Joliet, New Lenox, Frankfort, and Mokena Service Area

This AA represents 36 geographies in Will County, IL. The total population of the AA is 165,706. Three (8%) of the CTs are low-income, seven (19%) are moderate-income, 20 (56%) are middle-income and six (17%) are upper-income. There are 42,370 families within the AA. Eighteen percent are low-income, 19% are moderate-income, 29% are middle-income, and 34% are upper-income. The median family income for the AA is \$41,508. Eighty-five percent of the local housing is single family units, 68% of which are owner-occupied. The median home value is \$77,215.

Two branches are located within this AA. One branch is in Joliet and the other is in Mokena. The economy in Joliet is stable, although significant growth is occurring within the surrounding areas of Will County. As of October 1999, the unemployment rate for Joliet was 5.4%. This rate is higher than Will County and the State of Illinois unemployment rates, of 3.5% and 3.9%, respectively. The employment base is primarily services with some retail trade. The largest employers include Toys R Us Distribution Center and Harrah's and Empress Casinos.

Competitive Factors within the Assessment Area

FNBI's principal business activities are highly competitive as many financial institutions serve the AA. According to the 1998 Home Mortgage Disclosure Act (HMDA) information, 465 financial institutions originated home mortgage loans in the bank's AA. FNBI ranked 55th among these lenders. Loan originators within the AA include branches of larger regional and money center banks. In addition, there are numerous other financial institutions, including credit unions, brokerage companies, home mortgage and insurance companies.

Similarly situated banks for the AA include First National Bank of Blue Island, Blue Island, Illinois; First National Bank of Chicago Heights, Chicago Heights, Illinois; and Bank of Homewood, Homewood, Illinois. These banks are independently owned, range from \$150 million to \$350 million in total assets, serve similar market areas, and primarily have a commercial lending focus.

Credit Needs

Based on the size and location of the bank's AA, credit needs are varied. Credit needs include business financing, gap financing, innovative ways for businesses/individuals to obtain capital, as well as, affordable housing (rehabilitation, down payment assistance). These needs were identified through several community contacts with economic and government representatives contacted by banking regulatory agencies in the past 24 months. We performed two community contacts during the examination.

The bank has responded to credits needs of the community and particularly to affordable housing by changing its focus in the Will County portion of the AA from commercial lending to real estate lending. As discussed in other sections, residential real estate lending is the second highest percentage of loans in the bank's loan portfolio and the bank works with local and statewide loan programs to extend home mortgage loans targeted to low and moderate income families.

Table 1. Lending Volume

LENDING VOLUME		Evaluation Period: 01/01/1997 TO 11/15/1999										
MSA/Assessment Area	% of Rating Area Deposits in AA*	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Rating Area Loans in AA (% of #)
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Scope												
First National Bank of Illinois	100.00	211	12,600	248	9,429	0	0	21	280,000	459	22,029	100.00

* Deposit Data as of June 30, 1999

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE										Evaluation Period: 01/01/1997 TO 11/15/1999						
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank [*]	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total ^{**}
Full Scope																
First National Bank of Illinois	2	10	9	10	76	78	13	2	64	0.3	0.7	0.4	0.4	0.0	58	100

* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

** Home purchase loans within an MSA/AA as a % of all home purchase loans in the rating area.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT																Evaluation Period: 01/01/1997 TO 11/15/1999	
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography					Total Home Improvement Loans		
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**	
Full Scope																	
First National Bank of Illinois	2	2	9	0	76	97	13	2	15	2.1	0.0	0.0	2.9	0.0	65	100	

* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

** Home improvement loans within an MSA/AA as a % of all home improvement loans in the rating area.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE																Evaluation Period: 01/01/1997 TO 11/15/1999	
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography					Total Home Mortgage Refinance Loans		
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**	
Full Scope																	
First National Bank of Illinois	2	3	9	3	76	91	13	4	83	0.3	1.4	0.1	0.3	0.1	80	100	

* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

** Refinance loans within an MSA/AA as a % of all refinance loans in the rating area.

Table 5. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL BUSINESS																Evaluation Period: 01/01/1997 TO 11/15/1999	
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank [*]	Market Share by Geography [*]					Total Small Business Loans		
	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total ^{**}	
Full Scope																	
First National Bank of Illinois	6	0	5	2	71	98	17	0	29	0.6	0.0	0.3	1.2	0.1	248	100	

* Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.

** Small Business loans within an MSA/AA as a % of all Small Business loans in the rating area.

Table 6. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL FARM		Evaluation Period: 01/01/1997 TO 11/15/1999														
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank [*]	Market Share by Geography [*]					Total Loans Small Farm Loans	
	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total ^{**}
Full Scope																
First National Bank of Illinois	1	0	3	0	77	0	19	0	250	0.0	0.0	0.0	0.0	0.0	0	0

* Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.

** Small Farm loans within an MSA/AA as a % of all Small Farm loans in the rating area.

Table 7. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HMDA HOME PURCHASE																
Evaluation Period: 01/01/1997 TO 11/15/1999																
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share by Borrower Income*					Total Home Purchase Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
Full Scope																
First National Bank of Illinois	17	19	19	28	29	21	35	29	64	0.3	0.7	0.3	0.3	0.5	58	100

* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available.

Table 8. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT										Evaluation Period: 01/01/1997 TO 11/15/1999						
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank [*]	Market Share By Borrower Income [*]					Total Home Improvement Loans	
	% of Families	% Bank Loans ^{**}	% of Families	% Bank Loans ^{**}	% of Families	% Bank Loans ^{**}	% of Families	% Bank Loans ^{**}		Overall	Low	Mod	Mid	Upp	#	% of Total
Full Scope																
First National Bank of Illinois	17	20	19	23	29	23	35	32	15	2.1	3.8	1.5	2.1	2.0	65	100

* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available.

Table 9. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 01/01/1997 TO 11/15/1999						
MSA/Assessment Area	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Overall Market Rank [*]	Market Share by Borrower Income*					Total Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
Full Scope																
First National Bank of Illinois	17	13	19	28	29	35	35	23	83	0.3	0.6	0.4	0.5	0.1	80	100

* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available.

Table 10. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL BUSINESS			Evaluation Period: 01/01/1997 TO 11/15/1999							
MSA/Assessment Area	Businesses With Revenues of \$1 million or less		% Distribution of Loans by Original Amount Regardless of Business Size			Market Share [*]		Total Small Business Loans		
	% Business ^{**}	% Bank Loans ^{***}	% Market Loans [*]	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total
Full Scope										
First National Bank of Illinois	72	10060	53	10094	6	0	0.6	0.5	180248	100

* The market consists of all other Small Business reporters in BANK's assessment area and is based on 1998 Aggregate Small Business Data only.

** Businesses with revenues of \$1 million or less as a percentage of all businesses.

*** Loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No revenue information was available for XX% of small loans to businesses reported by the BANK.

Table 11. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL FARM			Evaluation Period: 01/01/1997 TO 11/15/1999							
MSA/Assessment Area	Businesses With Revenues of \$ 1million or less		% Distribution Loans by Original Amount Regardless of Farm Size			Market Share*		Total Small Farm Loans		
	% Farms**	% Bank Loans***	% Market Loans*	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total
Full Scope										
First National Bank of Illinois	95	0	93	0	0	0	0.0	0.0	0	0

* The market consists of all other Small Farm reporters in BANK's assessment area and is based on 1998 Aggregate Small Business Data only.

** As a Percentage of Farms with known revenues.

*** As a percentage of loans with borrower income information available.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS		Evaluation Period: 01/01/1997 TO 11/15/1999							
MSA/Assessment Area	Prior Period Investments*		Current Period Investments		Total Investment			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Scope									
First National Bank of Illinois	0	0	10	1,241	10	1,241	100.00	0	0

* 'Prior Period Investments' means investments made in a previous evaluation period that remains outstanding as of the examination date.

** "Unfunded Commitments" means legally binding commitments reported on Report of Condition Schedule L-"Off-Balance Sheet Items".

Table 13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH DELIVERY SYSTEM																	Evaluation Period: 01/01/1997 TO 11/15/1999			
MSA/Assessment Area	Deposits	Branches						Branch Openings/Closings						Population						
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				# of Branch Closings	# of Branch Openings	Net gain(+) / loss(-) of branches due to openings/closings				% of the Population with Each Geography*						
				Low (%)	Mod (%)	Mid (%)	Upp (%)			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp			
Full Scope																				
First National Bank of Illinois	100.00	5	100.00	0.00	0.00	100.00	0.00	0	1	0.00	0.00	100.00	0.00	4.30	14.35	68.70	12.65			

* The percentage of the population in the MSA/AA that resides in these geographies.