

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Firststar Bank Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of **June 17, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U. S. C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated **Satisfactory Record of Meeting Community Credit Needs** based on the findings presented below.

COMMUNITY PROFILE

The bank's main office is located in Chicago, Illinois, the county seat of Cook County. The bank's delineated community is comprised of six regions: Main (the northern portion of the City of Chicago, western Cook County and DuPage County, northern Cook County and Lake County) Burbank; Crystal Lake; Fox Lake; Geneva/St. Charles; and Park Forest. There are a total of 1,044 census tracts in the community. One hundred fifty-five tracts, all located in Cook County, are considered low-income; however, nine low-income tracts had no population, according to 1990 U.S. census data. One hundred ninety-nine tracts are considered moderate-income (three located in DuPage County and the remaining 196 located in Cook County). There are 360 middle-income and 321 upper-income tracts in the community. Residents aged 65 and older constitute approximately 11% of the delineation's population, and approximately 80% of that segment is considered middle- or upper-income. The following chart shows the income distribution, by number of families, in the delineated community compared to the Chicago MSA and to the State of Illinois.

| Geography | Total Families | Median Family Income | % Low-Income | % Moderate-Income | % Middle-Income | % Upper-Income |
|----------------------|----------------|----------------------|--------------|-------------------|-----------------|----------------|
| Delineated Community | 1,127,557 | \$45,862 | 17.6 | 16.3 | 23.1 | 43.0 |
| Chicago MSA #1600 | 1,864,224 | \$42,758 | 19.8 | 17.4 | 24.0 | 38.8 |
| State of Illinois | 2,944,521 | \$38,664 | 19.9 | 17.8 | 24.1 | 38.1 |

The preceding chart indicates that the bank's delineation is predominantly middle- and upper-income (66.1%), exceeding both the Chicago MSA and State of Illinois percentages in the upper-income category. Approximately 34% of area families are designated low- and moderate-income. These figures indicate that the community's proportion of low- and moderate-income families is slightly lower, compared to the Chicago MSA and the State of Illinois.

The following chart illustrates the income distribution of the community's population, by race.

| Geography | Total Population | % White | % Black | % Hispanic | % Asian | % Other |
|----------------------|------------------|---------|---------|------------|---------|---------|
| Delineated Community | 4,481,055 | 71.3 | 10.9 | 13.0 | 4.6 | 0.2 |
| Low-Income | 378,874 | 10.3 | 52.6 | 34.1 | 2.6 | 0.4 |
| Moderate-Income | 766,286 | 36.7 | 21.2 | 35.5 | 6.1 | 0.5 |
| Middle-Income | 1,672,381 | 81.6 | 5.6 | 8.0 | 4.6 | 0.2 |
| Upper- Income | 1,663,514 | 90.7 | 2.0 | 2.7 | 4.5 | 0.1 |

As the preceding chart illustrates, the delineated community is approximately 70% White, and middle- and upper-income residents are predominantly White. Minority residents constitute approximately 30% of the community and are predominantly low- and moderate-income.

Of the 1,777,376 housing units located in the delineated community, 55.7% are owner-occupied, 38.1% are renter-occupied, and 6.2% are vacant. Structures with five or more units comprise 32.4% of total units. The median age of the housing stock in the community is 43 years. The median rent is \$520 and the median housing value is \$130,684. Residential building permits have increased significantly between 1991 and 1994. Building permit data was unavailable for 1995.

According to March 1992 census data, service industries account for approximately 30% of area employment opportunities, followed by manufacturing and retail trades, each approximately 20%. According to the State of Illinois Department of Commerce, May 1996 unemployment figures for counties within the delineated community were Cook 5.4%, Lake 3.6%, McHenry 3.7%, DuPage 3.3%, Will 5.3%, and Kane 4.7%. These figures remained essentially unchanged from the May 1995 figures, which indicates stability in the employment market. In comparison, May 1996 figures for the State of Illinois and the United States were 5.1% and 5.4%, respectively.

BANK PROFILE

Firststar Bank Illinois, with total assets of \$2.805 billion as of March 31, 1996, is a subsidiary of Firststar Corporation of Wisconsin, a bank holding company. On January 31, 1995, Firststar Bank Illinois acquired First Colonial banks. These former First Colonial banks, together with the existing Firststar banks were merged to form the existing bank.

The bank offers a complete line of fixed and variable rate credit products; they include consumer secured and unsecured, executive lines, home equity, credit card and commercial loans. The bank also offers loans through a telephone loan program called Firststar Express.

The bank offers a variety of mortgage loan programs through its affiliate Firststar Home Mortgage Corporation (FHMC), a subsidiary of Firststar Bank Milwaukee, N.A., Milwaukee, Wisconsin. The mortgage affiliate offers, underwrites and originates a variety of conventional, federal and state insured, sponsored or subsidized loan programs. All real estate loans contained in the bank's portfolio are purchased from its mortgage affiliate. The loan portfolio consists of approximately 70% real estate secured loans.

The bank has 41 branch facilities. Credit applications are taken and loans are closed at all offices. Loan originators from the mortgage affiliate are located at branch offices; they process all real estate loan requests and closings. Underwriting for direct loans is centralized at an operations center in Downers Grove, Illinois; while underwriting for indirect loans, and all loan processing is centralized at an operations center in Oshkosh, Wisconsin.

ASSESSMENT OF RECORD

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor (a) - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Regulatory Expectation

The Statement of the Federal Financial Supervisory Agencies regarding the Community Reinvestment Act (Policy Statement) indicates that an effective CRA process must include methods to ascertain community credit needs on an ongoing basis through outreach efforts to local governments, businesses, and community members and organizations. This ascertainment effort should include a system that facilitates dialogue with these individuals and groups and enables them to communicate their concerns to an officer of the financial institution.

Scope and Findings

The bank's activities and methods utilized to ascertain community credit needs were reviewed. These activities included the personal involvement of the bank's directors, officers and staff with local groups and organizations, consumer surveys, discussions with community representatives by the bank's CRA officer and other employees, and a call program.

The bank surveys its employees (senior management, market presidents, lending officers and branch management) semi-annually regarding their participation in organizations that may assist the bank in meeting its CRA responsibilities. The most recent survey occurred in 1995; 105 employees were interviewed and 59 organizations were identified which may assist in credit needs ascertainment. The following listing is representative of the groups and organizations, and their location:

Senior Management Activities

- Chicago Partners in The American Dream - Chicago
 - the Chicago Chapter of the National Homeownership Initiative

- West Cook Community Development Corporation - Westchester
 - small business and residential development in West Cook County

- People's Resource Center - Wheaton
 - low-income not-for-profit advocacy group

- Leadership Council for Open Metropolitan Communities - Chicago
 - equal and fair housing advocate

- DuPage Homeownership Center - Wheaton
 - not-for-profit housing counseling agency for first time low-income home buyers

- YWCA DuPage District - Glen Ellyn
 - outreach program for low- and moderate-income female headed households

- North West Housing Partnership (NWHP) - Rolling Meadows
 - not-for-profit low-income housing agency

- Naperville Community Outreach - Naperville
 - private, not-for-profit agency specializing in youth services

- Mundelein Redevelopment Loan Pool Program - Mundelein
 - economic redevelopment loan program for downtown small businesses

- Joseph Corporation - Aurora
 - not-for-profit housing counselor and developer for very low- and moderate-income persons and families

- Highwood Development Commission - Highwood
 - redevelopment organization

- United Methodist Homes and Services - Chicago
 - low-income housing for seniors, nursing home and health center

Market Presidents

Lake County Economic Development Corporation - Waukegan
- low cost loans

Oak Park Development Corporation - Oak Park
- economic development

Illinois Mortgage Bankers Association - Chicago
- trade association

Avenue Lake Plaza Business Association - Oak Park
- business development

Lending Officers

Bethel New Life, Inc - Chicago
- community redevelopment Chicago west side

Peoples Reinvestment and Development Effort, Inc. (PRIDE) - Chicago
- private, not-for-profit community development in the Austin community

Edgewater Community Council - Chicago
- housing and business development

Ravenswood Industrial Council - Chicago
- small business/manufacturing, job retention

Oak Park Development Corporation - Oak Park
- private, not-for-profit low interest loan real estate development

Branch Office Management

Mexican Civic Society of Illinois - Chicago
- Mexican-American activities

Valley View Educational Enrichment Foundation - Bolingbrook
- not-for-profit foundation which enhances the quality of public education

Main Street Libertyville, Inc - Libertyville
- residential and business reinvestment

Chambers of Commerce of Rosemont, Libertyville, Bannockburn, Northlake, Jefferson Park, Vernon Hills, Matteson, Bolingbrook and Highwood.

The bank's involvement with the groups and organizations listed above promoted dialogue with community representatives.

In 1996, the bank developed a Community Banking and Credit Needs Survey to assist with ascertaining credit needs. This survey solicits information from respondents regarding the need for specific credit products and services in the community. The survey was distributed at the following activities:

February 10, 1996 - DuPage Homeownership Center, Home Buyers Fair in Wheaton, with 44 respondents.

March 29 - 31, 1996 - AAn Expo for Today's Black Woman, @Chicago (McCormick Place), with 358 respondents.

June 28 - 30, 1996 - Northlake Days, Northlake, with 59 respondents. The results of the Northlake Days survey had not been tabulated at the time of the examination.

The 402 responses were tabulated overall and separately for respondents from the City of Chicago. The differences between Chicago and overall responses were minor. Overall, 69% of renters indicated a need for affordable housing in comparison to 77% of Chicago renters. The need for affordable mortgages were identified by 62% of renters, overall, and by 68% of Chicago renters. Assistance with down payments was identified by 59% of renters, overall, and by 64% of Chicago renters. Home improvement loans were identified as needed by 46% of homeowners, overall and 42% of Chicago residents.

The bank has an informal call program which is conducted by commercial lenders, FHMC mortgage originators and branch officers. According to the CRA officer, there is no requirement to document either consumer or commercial calls. A survey of 31 commercial loan officers revealed that approximately 3,000 calls have been made in 1996. The calls were distributed as follows: 38% in the City of Chicago, 34% in northern communities and 28% in western communities. FHMC currently employs sixteen originators; all originators are on 100% commission, based on dollar volume of closed loans. Originators are assigned to areas of the bank's community; during 1995, the mortgage originators conducted in excess of 4,200 calls. Sales calls for January through June 1996 have exceeded 2,600.

An originator, based in Elmhurst, has been designated as the CRA mortgage loan officer for the Illinois market. He is primarily responsible for identifying the needs of low- and moderate-income areas of the community. His calls showed that 30% of his realtor contacts are located in low- and moderate-income census tracts within the delineated

community. He recorded the most calls (1,140) of any originator for 1995 and 1996, year to date. A sample of 40 recent community contact reports showed a significant commitment to affordable mortgage and housing initiatives in low- and moderate-income communities. Interviews with management indicated that the bank encourages these types of activities to ensure that the needs of this segment of the community are effectively identified and addressed.

Interviews with consumer lending personnel indicated that outside calls to present and prospective customers is sporadic and not well documented among the branches. Since July 1995, bank employees have completed 210 contacts, of which 118 were conducted by the CRA officer. This activity has been, in large part, solicitations by mail and telephone. A review of this activity showed calls to organizations in Chicago, Schaumburg, Glendale Heights, River Grove, Crystal Lake, Lombard and Rolling Meadows.

The bank also uses information provided by a number of groups and organizations in which it makes financial investments, such as Metro Chicago Information Center, which assist the bank in better understanding and ascertaining the credit needs of its community. Through these activities, the bank has ascertained the need for affordable housing, low cost mortgages and small business start-up loans.

Conclusions

The examination findings indicate that bank officer and staff's involvement in community groups and organizations is an effective means of credit needs ascertainment. The bank responds to identified needs in a prompt and decisive manner with appropriate credit products and services.

Assessment Factor (c) - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

Regulatory Expectation

The Policy Statement states that banks are encouraged to develop a CRA plan to ensure an affirmative effort on the part of the bank to comply with the Act. It further states that the duty to coordinate and monitor the CRA process should be assigned to a senior officer or a committee charged with the responsibility to report periodically to the board of directors about the bank's CRA efforts, performance, and areas for improvement, where appropriate. An employee training program should be established which addresses information about those policies of the bank designed to help meet community credit needs including the needs of low- and moderate-income areas and small businesses. Procedures should be implemented to ensure that files are maintained, as required by the regulation, for purposes of receiving public comments and for reviewing and responding to the comments.

Regardless of how the bank organizes itself to implement its CRA plan, seeing that the institution has taken the steps necessary to help meet its community's credit needs is the responsibility of the entire organization, beginning with its board of directors and continuing through its line management. To be effective, a CRA plan must include methods to incorporate findings regarding community credit needs into the development of products and services that the bank decides to offer to help meet these needs.

The Policy Statement also states that the bank's CRA statement should accurately reflect the types of lending and other services that the bank is willing to offer to the community. This statement must be reviewed at least annually to ensure its accuracy. The services that the bank chooses to offer should be clearly articulated and reasonably related to community

needs.

Scope and Findings

The level of participation by the board of directors in development of policy and oversight of the bank's CRA program was reviewed. The bank's CRA Policy and Strategic Plan; CRA committee minutes; annual CRA self-assessment; the CRA Public File; CRA Statements for the previous two years; and minutes of board of directors meetings were also reviewed.

The bank's CRA Policy, CRA Statement and Strategic Plan are reviewed and adopted annually by the board of directors; the most recent review occurred on January 15, 1996. The policy articulates the bank's commitment to assist in meeting the needs of its entire community. The policy includes a provision for the appointment of a CRA community relations officer with the responsibility for directing the CRA program.

An internal CRA committee, chaired by the CRA/Community Relations is responsible for monitoring the bank's activities. The CRA committee meets monthly and its members include representatives from retail and commercial lending, investment, human resources and the mortgage corporation. A review of the CRA officer's June 12, 1996 report showed involvement with the Chicago Housing Authority (CHA) Homeownership Planning Task Force which is coordinating the sale of CHA units to tenants.

Since August of 1995, the bank has formed 11 Business Advisory Boards in Illinois. These boards are made up of former directors of banks that were acquired by Firststar Bank Illinois and they maintain lines of communication which existed between the community and the former banks that are now Firststar branches. The purpose of the boards is to provide an open forum for communication between the bank and the community. All CRA recommendations from these boards are referred to three group presidents for presentation and discussion at monthly community banking group meetings. Issues identified in these meetings are referred to the board of directors, as appropriate.

The bank conducts an annual CRA self-evaluation; review of the 1995 evaluation revealed a well documented analysis of the bank's performance, results and recommended future actions.

Procedures have been implemented to ensure that files are maintained, as required by the regulation, for purposes of receiving public comments and for reviewing and responding to the comments. The bank's Public File, and the current and previous CRA statements were reviewed.

In 1995, all personal bank representatives received consumer credit lending/compliance orientation, fair lending/Regulation B and CRA training. CRA training includes a Firststar Corporate Training and Orientation Video and several fair lending videos, including **AC**losing the Gap.[®] Approximately 400 bank staff members attended training sessions in

1995. This training is also incorporated into the bank's new employee orientation program. Since January 1995, 428 new employees have attended CRA orientation training. In the third quarter of 1995, the bank began using its employee newspaper *The Informant*, as a means of updating employees on CRA issues and for additional CRA training.

Conclusions

It is evident that the board of directors participates in the CRA process. The minutes of the board of directors and the CRA committee meetings show significant communication between management and the board of directors. The bank's CRA Statement and Public File were reviewed and found to be in compliance. Examination findings indicate that the policies and procedures formulated by management and the board of directors are effective for fulfilling the bank's CRA responsibilities.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor (b) - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Regulatory Expectation

The Policy Statement indicates that an effective CRA plan should include marketing and advertising programs for lending products and services that are responsive to the needs of the community and that will inform and stimulate awareness of those products and services throughout the community, including low- and moderate-income areas.

Scope and Findings

The bank's marketing and advertising efforts, including print media, television, radio and other promotional activities were reviewed. Comments by community representatives were also considered in determining the effectiveness of the bank's marketing efforts.

The bank markets its products and services using approximately 80 different print media. Advertisements which promote loans, deposit services and the bank's image are usually placed in widely distributed media, as listed in the following chart.

| Name of Publication | Frequency of Publication | Circulation | Geographic Coverage |
|----------------------------|--------------------------|-------------|---|
| Chicago Tribune | Daily | 667,908 | Eight Counties in Northeastern Illinois |
| The Northwest Herald | Daily | 29,157 | McHenry County |
| Lakeland Publishers | Weekly | 38,725 | Lake County |
| Highland Park News | Weekly | 7,735 | Lake County |
| Northbrook Star | Weekly | 7,518 | Lake County |
| Oak Leaves | Weekly | 13,938 | Cook County |
| Deerfield Review | Weekly | 6,108 | Lake County |
| The Bugle Publications | Weekly | 46,325 | Cook County |
| The Kane County Republican | Weekly | 30,000 | Kane County |
| The Kane County Chronicle | Weekly | 20,000 | Kane County |
| The Glen Ellyn News | Weekly | 19,800 | DuPage County |
| Press Publications | Weekly | 61,375 | DuPage / West Cook |
| Sun Publications | 3X / Week | 65,424 | DuPage County |
| The Daily Southtown | Daily | 56,000 | Cook County |
| The Star | Bi-weekly | 99,785 | Cook County |
| The Daily Herald | Daily | 130,000 | 6 Counties |
| Lerner Publications | Weekly | 100,993 | Cook County |
| Leader Publications | Weekly | 80,500 | Cook County |
| Downers Grove Reporter | Weekly | 25,000 | DuPage County |
| Fox Lake Press | Weekly | 4,725 | Lake County |

From January 1995 to June 1996, the bank placed 861 print advertisements. Of this total, 50% were image announcements, 25% were deposit-related and 25% were credit-related. The distribution of loan advertisements was 6.1% variable rate home equity loans, 86.9% fixed rate home equity loans, 1.4% student loans, and 5.6% all other loans.

Approximately 70 advertisements were placed in the following media, which targeted African-American and Hispanic interests: Chicago Defender, La Raza, Extra Publications, Wednesday Journal, Austin Weekly, Windy City Word, Austin Voice and N-Digo. The primary products advertised were fixed and variable rate home equity lines. Analysis of the advertisements in minority publications revealed that 27% were credit-related, 8% deposits and 65% image announcements.

The bank markets its products using approximately 30 area AM and FM radio stations. A total of 1,367 image enhancement radio spots were run in 1995 and 834 spots were run year to date 1996 promoting both home equity loans and certificates of deposit.

Also in 1995, the bank ran 304 television commercials and 224 cable system advertisements promoting the bank's image. In 1996, a total of 9 television commercials and 455 cable advertisements were placed which promoted home equity loans and certificates of deposit.

Loan products are also marketed using lobby displays and posters, direct mail, take-one brochures, customer statement inserts and messages. Since January 1995, this type of advertising included the following:

- 600 lobby displays and posters which featured home equity loans
- 91,000 direct mail pieces which featured overdraft protection loans, fixed rate home equity loans, credit builder loans, telephone loan applications and student loans
- 10,300 brochures featuring home equity and student loans
- 205,000 customer statement inserts featuring student loans, home equity loans and telephone banking
- 75,000 statement messages featuring telephone banking

In May of 1996, the bank sponsored a **ADoor Hanger** campaign; approximately 300,000 door hangers promoting home equity loans were distributed. The hangers were distributed in areas located near bank branches in the northern, northwestern, western and southwestern areas of the community.

Conclusions

The marketing program concentrates primarily on present customers and home equity loans were the products most often advertised. Despite the emphasis on home equity loans, comments made by community representatives indicate the community residents are aware of the bank's products and services.

Assessment Factor (i) - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Scope and Findings

The bank's financial reports and loan portfolio were reviewed. Residential real estate loans contained in the portfolio are purchased in bulk from a mortgage affiliate and may not have been originated in the community. To provide a more detailed record of residential mortgage originations, 1994 HMDA data for the banks which now constitute our member bank, 1995 HMDA-related lending and the bank's internal HMDA analysis was reviewed. The bank does not include home equity loans in its HMDA data; however, internal reports were available for review.

A review of the bank's March 31, 1996 Consolidated Report of Condition revealed a loan-to-deposit ratio of 65.04% and a loan-to-asset ratio of 50.99%. The distribution by loan type was as follows:

| LOAN TYPE | DOLLAR AMOUNT OUTSTANDING (000's) | PERCENT OF TOTAL LOANS |
|----------------------------|-----------------------------------|------------------------|
| REAL ESTATE | | |
| Construction | 52,265 | 3.65 |
| Farmland | 1,442 | 0.10 |
| Revolving (Secured by 1-4) | 155,475 | 10.87 |
| Residential 1-4 | 327,793 | 22.91 |
| Junior Liens | 26,439 | 1.85 |
| Multi-family | 41,870 | 2.93 |
| Commercial | 396,429 | 27.71 |
| COMMERCIAL & INDUSTRIAL | 188,691 | 13.19 |
| CONSUMER | | |
| Open-end Credit | 10,607 | 0.74 |
| All Other | 199,550 | 13.95 |
| STATE AND POLITICAL | 17,087 | 1.19 |
| OTHER | 13,043 | 0.91 |

According to management, the portfolio has been fairly volatile, as the bank has been trying to make its portfolio conform with Firststar policy.

The bank's portfolio, as compared to peer, according to the March 31, 1996 Uniform Bank Performance Report (UBPR) is illustrated in the following chart:

| LOAN TYPE | BANK AVERAGE LOAN MIX (%) | PEER AVERAGE LOAN MIX (%) |
|-------------------|---------------------------|---------------------------|
| REAL ESTATE LOANS | | |

| LOAN TYPE | BANK AVERAGE LOAN MIX (%) | PEER AVERAGE LOAN MIX (%) |
|--|---------------------------|---------------------------|
| Construction/Development | | |
| 1 - 4 Family Residential | 3.75 | 2.80 |
| Home Equity | 35.28 | 24.49 |
| Other Real Estate Total | 10.60 | 2.76 |
| Farmland | 30.97 | 17.94 |
| Multi-family | 0.09 | 0.22 |
| Commercial | 2.93 | 1.51 |
| TOTAL REAL ESTATE LOANS | 27.95 | 15.26 |
| | 70.00 | 50.55 |
| LOANS TO INDIVIDUALS | 14.48 | 19.13 |
| CREDIT CARD LOANS | 0.71 | 1.56 |
| COMMERCIAL & INDUSTRIAL LOANS | 13.53 | 18.71 |
| AGRICULTURAL LOANS | 0.00 | 0.19 |
| MUNICIPAL LOANS | 1.11 | 0.63 |
| LEASE FINANCING | 0.11 | 0.25 |
| OTHER LOANS* | 0.43 | 0.91 |
| * Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables | | |

| BANK NET LOAN/LEASE TO DEPOSIT RATIO | PEER NET LOAN/LEASE TO DEPOSIT RATIO |
|--------------------------------------|--------------------------------------|
| 63.65% | 79.73% |

The preceding chart shows that, with the exception of loans secured by farmland, the bank exceeds peer in each category of real estate secured loans; however, the bank's percentages are lower than its peer group in almost all other categories.

To more accurately assess the bank's lending performance, the HMDA-reportable lending was reviewed by product. This review included HMDA loans originated by the bank's mortgage affiliate, and for comparison purposes, the 1994 HMDA activity of the banks subsequently acquired by Firststar Bank Illinois. This review showed a reduction in overall originations of 31.64%, from 2,203 in 1994 to 1,506 in 1995. The total lending product distribution in 1995 was 4.78% government sponsored or subsidized, 53.19% conventional, 32.07% refinancing, 8.57% home improvement, and 1.39% multi-family. In comparison, the product distribution in 1994 was 3.99%

government sponsored or subsidized, 34.18% conventional, 32.82% refinancing, 26.51% home improvement and 2.50% multi-family. The bank's internal analysis of its HMDA lending [See Assessment Factor (e)] also showed a significant decrease in originations for 1995, in comparison to 1994.

Loans made under the home equity loan program are a dominant credit product (the bank does not report home equity loans as HMDA-related lending). Home equity loans (made within the community) increased 114% in 1995, in comparison to 1994 activity for the 21 banks prior to the merger. In 1995, 1,113 home equity loans were made in comparison to 519, in 1994.

The bank's commercial and industrial lending results reflect increased volume in 1996, in comparison to 1995. A more detailed breakdown is included in the following charts:

| NONFARM-NON RESIDENTIAL REAL ESTATE SECURED | | | | |
|---|-----------|----------|-----------|----------|
| | JUNE 1996 | | JUNE 1995 | |
| | # | \$ (000) | # | \$ (000) |
| \$100,000 or less | 543 | 28,435 | 225 | 11,029 |
| \$100,000 - 250,000 | 584 | 83,168 | 188 | 26,356 |
| \$250,000 - \$1MM | 408 | 158,636 | 238 | 90,238 |
| TOTALS | 1,535 | 270,239 | 651 | 127,623 |
| COMMERCIAL AND INDUSTRIAL LOANS | | | | |
| \$100,000 or less | 2,689 | 40,568 | 1,686 | 31,002 |
| \$100,000 - \$250,000 | 392 | 31,028 | 318 | 27,934 |
| \$250,000 - \$1MM | 222 | 44,296 | 273 | 50,577 |
| TOTALS | 3,303 | 115,892 | 2,277 | 109,513 |

The preceding chart shows that loans to small businesses represent a significant portion of the bank's portfolio. This is consistent with the identified need for such loans within the community.

In 1995, the bank implemented **AF**Firststar Express,[®] a loan by telephone program, where consumers are able to call and speak to bank representatives to apply for a loan by telephone. In 1995, the bank received 13 applications for loans, and has received 476 loans applications in 1996 year-to-date.

Conclusions

The bank offers a complete line of credit products; however, the loan portfolio does not reflect the bank’s actual loan volume relative to real estate lending. A review of HMDA lending revealed management’s willingness to make conventional, home equity, and government insured or subsidized loans. As a percentage of total HMDA lending, originations increased in conventional and government insured or subsidized loans; refinancings were essentially unchanged; home improvement loans, and multi-family loans declined significantly in 1995, compared to 1994 originations by the banks prior to Firststar Bank Illinois acquisition.

Assessment Factor (j) - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms.

Scope and Findings

The bank’s participation in government loan programs was reviewed. Federal Housing Administration (FHA and FHA-203K), Veterans Administration (VA), Illinois Housing Development Authority (IHDA) and student loans were reviewed. The following chart summarizes the bank's activity in insured loan programs.

| PROGRAM | OUTSTANDING | | SINCE JANUARY 1995 | |
|----------|-------------|---------------|--------------------|------------|
| | NUMBER | DOLLAR AMOUNT | NUMBER | AMOUNT |
| FHA | 964 | 84,171,658 | 148 | 13,217,477 |
| FHA 203K | N/A** | N/A** | 20 | 2,607,400 |
| VA | 229 | 20,259,555 | 26 | 2,696,670 |
| IHDA* | 153 | 8,872,902 | 3 | 202,250 |
| STUDENT | 3,109 | 17,482,372 | 1,108 | 7,301,932 |
| SBA | 99 | 13,554,116 | 32 | 3,256,485 |

* These loans are owned by IHDA, and serviced by the bank. By design, they cannot be part of a lender’s portfolio.

** Information is not available.

Conclusions

The bank is an active participant in government loan programs, and the loan products are consistent with the community’s need for these type of products. They offer flexibility in lending which meets the needs of consumers who may not have qualified for conventional loans. No unmet credit needs were mentioned by community contacts which cannot be addressed by current products or programs.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Regulatory Expectation

Reasonableness of Community Delineation

The regulation requires state member banks to prepare, and at least annually review, a delineation of the local community or communities that comprise its entire community, without excluding low- and moderate-income neighborhoods. Maps are required to be used to portray community delineations. The regulation requires Federal Reserve System examiners to review the reasonableness of the delineations.

The regulation states that a local community shall consist of the contiguous areas surrounding each office or groups of offices, including any low- and moderate-income neighborhoods in those areas. In preparing its delineation, a bank may use any one of the three methods, as stipulated in the regulation: (1) existing boundaries, such as those of a Metropolitan Statistical Area or counties in which the bank's office or offices are located; (2) the bank's effective lending territory, which is defined as that local area or areas where it makes a substantial portion of its loans and all other areas equidistant from its offices; or (3) any other reasonably delineated local area that meets the purposes of CRA and does not exclude low- and moderate-income areas.

Scope and Findings

The distribution of the bank's loans and the servicing abilities of its branch system were reviewed to determine the reasonableness of the delineated community. The bank's delineated community includes portions of the Chicago MSA, refer to the community profile for a detailed description. The method of delineation is consistent with method number three described previously. The delineation does not exclude any area that the bank could reasonably be expected to serve.

Conclusions

A review of the geographic distribution of the 1995 HMDA data and the examination loan sample support the reasonableness of the delineation. There were no areas excluded from the delineated community that the bank would be reasonably expected to serve through its current branch facilities.

Assessment Factor (e) - The geographic distribution of the institution's credit extensions, credit applications and credit denials.

Regulatory Expectation

The Policy Statement states that the services that the bank chooses to offer should be distributed within the bank's community in a fair and nondiscriminatory manner, in keeping with the bank's general approach to its business.

Scope and Findings

The distribution of the bank's 1995 HMDA lending, as well as a sample of recent loans was reviewed. HMDA lending in 1994 by the banks that were subsequently acquired by Firststar Bank Illinois was also reviewed for comparison purposes. Management had indicated that the pre-merger and post-merger community delineations were substantially similar. To ensure a valid comparison, 1994 HMDA lending was defined as, and refers to,

the combined performance of the twenty-one former banks (now merged as branches), as well as the bank (Firststar Bank Illinois) and its mortgage affiliate (FHMC) which occurred in the same census tracts as those analyzed for the 1995 HMDA data. Unless otherwise stated, the bank's 1995 HMDA-related lending discussed in this report refers to the combined originations of Firststar Bank Illinois (primarily installment real estate secured home improvement loans), and FHMC (loans extended within the census tracts of the bank's delineated community, as reported through Firststar Bank N.A., Milwaukee, Wisconsin). The bank's internal analysis of HMDA and home equity loans was also reviewed.

The 1995 HMDA data showed activity in 599 of 1,035 (57.87%) census tracts in the bank's community. In low- and moderate-income tracts, activity was noted in 101 of 354 tracts or 28.53%. In middle-income tracts, activity was noted in 231 of 360 tracts or 64.17%, and in upper-income tracts, activity was noted in 267 of 321 tracts or 83.18%. The distribution of the 1995 HMDA lending, between Firststar Bank Illinois and FHMC, by census tract income category, was as follows: Firststar Bank showed activity in 23.57% of the total tracts in the community, with 15.53% in low- and moderate-income, 27.50% in middle-income, and 28.04% in upper-income tracts. FHMC showed activity in 49.95% of total tracts in the community, with 16.66% in low- and moderate-income, 55.00% in middle-income, and 80.99% in upper-income tracts.

The bank's 1995 HMDA lending is compared to aggregate in the following chart:

| Census Tract Income Classification | Firststar Bank 1995 HMDA | | | | Delineation Aggregate 1995 HMDA | | |
|------------------------------------|--------------------------|--------------------|------------------|-----------------|---------------------------------|------------------|-----------------|
| | # of Origs | Origs as % of Apps | % of Total Origs | % of Total Apps | Origs as % of Apps | % of Total Origs | % of Total Apps |
| Low-Income | 112 | 74.67 | 7.44 | 8.20 | 59.75 | 13.59 | 16.73 |
| Moderate-income | 234 | 78.52 | 15.54 | 16.28 | 71.34 | 14.79 | 15.25 |
| Middle-Income | 281 | 82.16 | 18.66 | 18.69 | 75.37 | 22.29 | 21.75 |
| Upper-Income | 879 | 84.52 | 58.37 | 56.83 | 78.44 | 49.33 | 46.26 |
| Total | 1,506 | 82.30 | 100.00 | 100.00 | 73.56 | 100.00 | 100.00 |

In 1995, the bank originated 74.67% of the loan applications received from low-income census tracts. Applications from low-income tracts represented 8.20% of all HMDA-related applications and originations in low-income tracts represented 7.44% of total HMDA-related originations. The bank exceeded aggregate in percentage of applications approved in low-income tracts, but was lower than aggregate in loans in low-income tracts, as a percentage of both total applications and total originations.

The bank originated 78.52% of the applications received from moderate-income census

tracts in 1995. Applications from moderate-income tracts represented 16.28% of all HMDA-related applications. Originations in moderate-income tracts represented 15.54% of total HMDA-related originations. The bank exceeded aggregate in the percentage of applications approved in moderate-income tracts, and loans in moderate-income tracts, as a percentage of both total applications and total originations.

The bank originated 82.16% of the applications received from middle-income census tracts in 1995. Applications from middle-income tracts represented 18.69% of all HMDA-related applications. Originations in middle-income tracts represented 18.66% of total HMDA-related originations. The bank exceeded aggregate in percentage of applications approved in middle-income tracts, but was lower than aggregate in loans in middle-income tracts, as a percentage of both total applications and total originations.

The bank originated 84.52% of the applications received from upper-income census tracts in 1995. Applications from upper-income tracts represented 56.83% of all HMDA-related applications. Originations in upper-income tracts represented 58.37% of total HMDA-related originations. The bank exceeded aggregate in percentage of applications approved in upper-income tracts, and loans in upper-income tracts, as a percentage of both total applications and total originations.

In comparison, 1994 HMDA-related lending is shown in the following chart:

| Census Tract Income Classification | 1994 HMDA Data of Banks Prior to Merger | | | | Delineation Aggregate 1994 HMDA Data | | |
|------------------------------------|---|--------------------|------------------|-----------------|--------------------------------------|------------------|-----------------|
| | # of Origs | Origs as % of Apps | % of Total Origs | % of Total Apps | Origs as % of Apps | % of Total Origs | % of Total Apps |
| Low- Income | 47 | 66.20 | 2.13 | 2.74 | 56.10 | 2.99 | 4.04 |
| Moderate-Income | 182 | 76.47 | 8.26 | 9.18 | 65.97 | 9.86 | 11.34 |
| Middle-Income | 833 | 84.06 | 37.81 | 38.22 | 75.64 | 36.73 | 36.85 |
| Upper-Income | 1,141 | 88.24 | 51.79 | 49.87 | 80.10 | 50.42 | 47.77 |
| Total | 2,203 | 84.96 | 100.00 | 100.00 | 75.88 | 100.00 | 100.00 |

The preceding chart illustrates the following:

- In low-income census tracts, 66.20% of the loan applications received resulted in originations. Applications received in low-income census tracts represented 2.74%

of total HMDA-related applications and originations represented 2.13% of total HMDA-related originations. This performance exceeded aggregate in the percentage of applications approved, but was lower than aggregate in both percentage of total applications and total originations.

- In moderate-income census tracts, 76.47% of the loan applications received resulted in originations. Applications received in moderate-income census tracts represented 9.18% of total HMDA-related applications and originations represented 8.26% of total HMDA-related originations. This performance exceeded aggregate in percentage of applications approved, but was lower than aggregate in both percentage of total applications and total originations.
- In middle-income census tracts, 84.06% of the loan applications received resulted in originations. Applications in middle-income census tracts represented 38.22% of total HMDA-related applications and originations represented 37.81% of total HMDA-related originations. This performance exceeded aggregate in percentage of applications approved, percentage of total applications and percentage of total originations.
- In upper-income census tracts, 88.24% of the loan applications received resulted in originations. Applications in upper-income census tracts represented 49.87% of total HMDA-related applications and originations represented 51.79% of total HMDA-related originations. This performance exceeded aggregate in percentage of applications approved, and percentage of total applications and total originations.

Distribution of Lending

In 1995, the bank made 112 loans in low- and moderate-income census tracts: 11 government insured or subsidized loans, 31 conventional, 29 refinancing, 26 home improvement and 15 multi-family loans. In comparison, in 1994 the banks made 229 loans in low-income census tracts: 14 government insured or subsidized loans, 43 conventional, 55 refinancing, 83 home improvement and 34 multi-family. A 51.09% reduction in HMDA-related loans made in low- and moderate-income tracts, occurred between 1994 and 1995. The reduction was evident among all loan products.

Bank's Self Analysis

The bank conducts an internal analysis of its HMDA lending. A review of the bank's analysis showed inconsistencies in the data which are attributed to the bank including Approved not accepted@applications as originations in its analysis and an error in the categorization of loans by income range. The 1994 and 1995 analyses are included in the following chart:

| Census Tract Income Classification | 1994 HMDA Self-Analysis Results of Banks Prior to Merger | | | | Firststar Bank Illinois 1995 HMDA Self-Analysis Results | | | |
|------------------------------------|--|--------------------|------------------|-----------------|---|--------------------|------------------|-----------------|
| | # of Origs | Origs as % of Apps | % of Total Origs | % of Total Apps | # of Origs | Origs as % of Apps | % of Total Origs | % of Total Apps |
| Low- and Moderate-Income | 237 | 74.76 | 10.95 | 10.64 | 114 | 72.15 | 7.37 | 7.93 |
| Middle-Income | 843 | 77.76 | 38.95 | 36.40 | 523 | 77.25 | 33.83 | 33.99 |
| Upper-Income | 1,084 | 68.74 | 50.09 | 52.96 | 909 | 78.57 | 58.80 | 58.08 |
| Total | 2,164 | 72.66 | 100.00 | 100.00 | 1,546 | 77.61 | 100.00 | 100.00 |

As illustrated in the preceding chart, from 1994 to 1995 total originations declined by 28.56%. Originations in low- and moderate-income, middle-income and upper-income census tracts declined by 51.9%, 37.96% and 16.14%, respectively.

Examination Loan Sample

The examination loan sample was reviewed for geographic distribution. The following chart shows the distribution by loan type.

| LOAN TYPE | TOTAL SAMPLED | % WITHIN THE DELINEATED COMMUNITY | % WITHIN LOW- AND MODERATE-INCOME TRACTS |
|----------------|---------------|-----------------------------------|--|
| Installment | 115 | 64.35 | 2.70 |
| Single Payment | 10 | 70.00 | 14.29 |
| Overdraft | 23 | 86.96 | -0- |
| Home Equity | 31 | 96.77 | -0- |
| Executive Line | 10 | 90.00 | 11.11 |
| Commercial | 28 | 92.86 | 11.54 |
| TOTAL | 217 | | |
| Denials | 111 | 72.97 | 14.81 |

Of the 217 loans noted in the preceding chart, 166 (76.50%) were made within the delineated community. Of those within the community, 7 (4.22%) were made in low- and moderate-income census tracts.

Home Equity Loans

The bank's analysis of home equity loans was reviewed. In 1995, the bank made 38 of 1,113 (3.41%) home equity loans in low- and moderate-income tracts within the community, in comparison to 4 of 519 (0.77%) in 1994.

Conclusions

A substantial portion of the community showed no HMDA-related lending or application activity for 1995, and activity in low- and moderate-income tracts has declined in comparison to total HMDA lending. HMDA lending activity in 1995 was noted in only 58% of the 1,035 census tracts in the community, and in only 29% of the 354 low- and moderate-income tracts. Although 1995 HMDA originations declined by 33% in comparison to 1994, originations in low- and moderate-income tracts declined by 51%. In 1995, the bank's percentage of HMDA lending in low- and moderate-income tracts was less than the corresponding percentage of residents represented in community demographics and less than the aggregate's HMDA lending performance. The bank's 1995 HMDA lending activity within moderate-income tracts exceeded aggregate. Only 4.5% of the loans sampled and 3.4% of home equity loans were made in low- and moderate-income census tracts.

Lending by FHMC on behalf of the bank is primarily in the upper-income census tracts. Overall, HMDA-related loans are concentrated in the moderate range of low- and moderate-income tracts, and the upper range of middle- and upper-income tracts. Currently, there is no incentive for mortgage originators to solicit loans in low- and moderate-income areas. [See compensation program under Assessment Factor (a)]. A strong relationship exists between the number of outside calls noted under Assessment Factor (a) and loan activity noted under Assessment Factors (i), and (e), which result from the effectiveness of the commercial loan and mortgage company call programs. In comparison, the consumer lending results of the bank are weak and commensurate with the limited consumer outside calling efforts previously noted.

Assessment Factor (g) - The institution's record of opening and closing offices and providing services at offices.

Scope and Findings

The location of branch facilities and the availability of services were reviewed. Staff members were interviewed and files regarding branch closings were reviewed. The bank has a branch opening and closing policy which was reviewed and adopted by the board of directors on April 17, 1995. The policy summarizes the procedures regarding branch closings.

As a result of significant merger and acquisition activity in 1995, the bank currently has 41 branch facilities, including the main bank located at 30 N. Michigan Avenue, Chicago. These facilities are located throughout the metropolitan Chicago area in six separate delineated communities. Several offices were closed during 1995. They are as follows:

- On August 5, 1995, the Deerfield West office at 1020 North Milwaukee Avenue, Deerfield;
- On December 31, 1995, a facility at 7003 W. Cermak Plaza, in Berwyn; and

- On April 12, 1996, the facility at 1819 Lake Cook Road, in Northbrook;

On May 28, 1996, a facility at 8720 W. Dempster, Niles was consolidated into the newly expanded facility at 8500 W. Dempster, Niles. None of the closed offices were located in low- or moderate-income or high minority census tracts. Procedures prior to closing the branches included dialogue with community leaders and civic officials, notification to customers and regulatory agencies, and approval by the bank's board of directors. Other branches were located in proximity to the closed branches and the closings have not had a negative impact on service to the community.

The bank's offices/facilities are located in census tracts of all income levels. They are distributed as follows:

- the Austin facility, located at 5604 W. Madison Street, Chicago, is located in a low-income and high minority census tract;

- the Kedzie Avenue facility, located at 3611 N. Kedzie Avenue, Chicago, is located in a moderate-income census tract;

- twenty facilities are located in middle-income census tracts; and

- nineteen are located in high-income census tract.

A regional operations center is located at 2626 Warrenville Road, Downers Grove; however, most operations are in the process of relocating to Oshkosh, Wisconsin. All locations, except Austin, downtown and Roosevelt Road in Glen Ellyn, offer automated teller machine (ATM) services. Additionally, the bank offers 24-hour telephone banking through which information on checking and savings accounts, interest rates and loan applications is available.

Lobby hours at branches are 9:00 a.m. to 5:00 p.m. Mondays through Thursdays, 9:00 a.m. to 6:00 p.m. on Fridays, and 9:00 a.m. to 1:00 p.m. on Saturdays. Drive-up hours are 7:00 a.m. to 7:00 p.m. Monday through Friday, and 7:00 a.m. to 2:00 p.m. on Saturdays. Several branches have extended or shorter hours, and three have Sunday hours 10:00 a.m. to 3:00 p.m.

Conclusions

The bank's branch closing policy is sufficient to ensure that the impact of a branch closing in the area the branch serves is thoroughly investigated prior to closing. Interviews with management, branch personnel and community contacts indicated that the bank provides similar services to all geographies within the delineated community, including low- and moderate-income areas.

IV. DISCRIMINATION OR OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor (d) - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Scope and Findings

The credit products offered by the bank were reviewed and compared to the content of the loan portfolio. Discussions were held with branch personnel regarding demand for consumer loan products and their availability within the community.

The bank's CRA statement indicates that the following types of credit are available to members of its community:

- Direct Loans (fixed-rate, term loans to individuals for financing the purchase of new or used vehicles, home improvements or other assets, consolidation of debts, and for a variety of other personal, family or household purposes in amounts as small as \$500);
- Fixed-rate, short term home refinancing loans in amounts less than \$25,000;
- Revolving, variable rate lines of credit (Home Equity Line of Credit);
- Credit Cards to individuals and businesses, through Elan Financial Services, a wholly-owned subsidiary of an affiliate. Applications for MasterCard, Gold MasterCard, MasterCard Business Cards, Visa Gold, Visa Business and Student Credit Cards are available at bank branches.
- Home Mortgages through FHMC, a mortgage lending affiliate and subsidiary of Firststar Bank Milwaukee N.A., Milwaukee, Wisconsin. A variety of mortgage purchase, refinance and home improvement loan programs are made available, including conventional, Federal Housing Administration (FHA) insured and Veterans Administration (VA) guaranteed mortgage loans and state programs;
- Student Loans through the Illinois Student Assistance Commission, guaranty agency;
- Federal Family Education Loan Program which includes, Subsidized Federal

Stafford Loans, Unsubsidized Federal Stafford Loans and Federal PLUS (Parent) Loans; and

- Asset based and commercial real estate loans: specialized asset based commercial lending services are available through an affiliate bank in Milwaukee. These loans are for businesses that do not meet conventional lending criteria. Also, the bank provides short-term construction financing, and long-term financing for residential multi-family income properties. This listing was consistent with the loans reviewed and the content of the portfolio.

Loan officer interviews and visits to branch offices did not reveal any practice or procedure which would intend to discourage loan applicants, or raise concerns regarding the accessibility of credit.

Conclusions

The bank's lending is consistent with the products offered in the CRA Statement and stated policies. No concerns were noted relative to the equitable offering and delivery of credit products and services.

Assessment Factor (f) - Evidence of prohibited discriminatory or other illegal credit practices.

Scope and Findings

The bank's policies, loan forms, advertising and procedures were reviewed. Personnel with public contact responsibilities and loan administration officers were interviewed. The bank's 1995 HMDA lending, the pre-merger 1994 HMDA lending and home equity lending was reviewed, as well as the examination sample of loans [see Assessment Factor (e)]. As previously noted, management indicated that the pre-merger and post-merger community delineations were substantially similar. To ensure a valid comparison, 1994 HMDA lending was defined as and refers to the combined performance of the twenty-one former banks (now branches) which occurred in the same census tracts used to analyze the 1995 HMDA data. The bank's 1995 HMDA lending discussed in this report refers to the combined originations of Firststar Bank Illinois (primarily installment real estate secured home improvement loans), and FHMC (as reported through Firststar Bank N.A., Milwaukee, Wisconsin) made in the bank's delineated community.

According to 1990 U.S. Census data, there are 298 census tracts within the delineated community which are designated as high minority (greater than 50% minority population). The 1995 HMDA data showed activity in 70 (23.49%) high minority tracts.

A review of the bank's 1995 HMDA lending, based on the applicant's race, is included in the following chart:

| Race of Applicant | Firstar Bank Illinois 1995 HMDA Data | | | | Delineation Aggregate 1995 HMDA Data | | |
|----------------------|---|--------------------|------------------|-----------------|---|------------------|-----------------|
| | # of Origs | Origs as % of Apps | % of Total Origs | % of Total Apps | Origs as % of Apps | % of Total Origs | % of Total Apps |
| American Indian | 4 | 80.00 | 0.26 | 0.28 | 72.33 | 0.30 | 0.30 |
| Asian | 29 | 74.36 | 1.93 | 2.12 | 77.65 | 4.48 | 4.24 |
| Black | 54 | 72.00 | 3.59 | 4.19 | 59.47 | 6.10 | 7.54 |
| Hispanic | 54 | 79.41 | 3.59 | 3.80 | 74.25 | 9.09 | 9.01 |
| White | 1,314 | 83.64 | 87.25 | 85.59 | 81.00 | 73.07 | 66.36 |
| Other | 4 | 80.00 | 0.26 | 0.28 | 63.45 | 0.70 | 0.81 |
| None/Mail/Phone Apps | 31 | 93.94 | 2.06 | 1.84 | 79.51 | 1.93 | 1.79 |
| N/A | 16 | 47.06 | 1.06 | 1.90 | 32.01 | 4.33 | 9.95 |
| Total | 1,506 | 82.30 | 100.00 | 100.00 | 73.56 | 100.00 | 100.00 |

In comparison, 1994 pre-merger HMDA-related lending is shown in the following chart:

| Race of Applicant | 1994 HMDA Data of Banks prior to merger | | | | Delineation Aggregate 1994 HMDA Data | | |
|----------------------|---|--------------------|------------------|-----------------|---|------------------|-----------------|
| | # of Origs | Origs as % of Apps | % of Total Origs | % of Total Apps | Origs as % of Apps | % of Total Origs | % of Total Apps |
| American Indian | 8 | 100.00 | 0.36 | 0.31 | 69.75 | 0.36 | 0.39 |
| Asian | 81 | 85.26 | 3.68 | 3.66 | 78.12 | 4.55 | 4.42 |
| Black | 91 | 67.91 | 4.13 | 5.17 | 65.25 | 5.66 | 6.58 |
| Hispanic | 125 | 83.33 | 5.67 | 5.78 | 75.18 | 9.07 | 9.15 |
| White | 1,847 | 86.43 | 83.84 | 82.41 | 82.58 | 76.02 | 69.86 |
| Other | 7 | 87.50 | 0.32 | 0.31 | 66.01 | 0.71 | 0.82 |
| None, Mail/Phone App | 29 | 64.44 | 1.32 | 1.74 | 30.47 | 3.31 | 8.25 |
| N/A | 15 | 93.75 | 0.68 | 0.62 | 45.59 | 0.32 | 0.54 |
| Total | 2,203 | 84.96 | 100.00 | 100.00 | 75.88 | 100.00 | 100.00 |

In 1995, approximately 87.25% of total HMDA originations were to White applicants; this is similar to the percentage (83.84%) for the 21 banks during 1994.

In 1995, the bank made 74 loans in high minority census tracts: 10 government insured or subsidized, 21 conventional, 11 refinancing, 22 home improvement and 10 multi-family loans. In comparison, in 1994 (prior to the merger), there were 174 originations in high minority census tracts: 13 government insured or subsidized, 28 conventional, 41 refinancing, 66 home improvement and 26 multi-family loans. This activity represents a 57.47% reduction from 1994 to 1995 in HMDA-related originations in minority census tracts, and a 23.07% reduction in government loans; in comparison, a 31.64% reduction in total HMDA-related loans occurred.

A sample of loans and denied credit applications was reviewed for compliance with applicable fair housing and fair lending laws and regulations. The review included installment, single-payment, home equity, overdraft, and commercial/industrial loans. Eight of 217 (3.68%) loans and 16 of 111 (14.41%) denied credit applications reviewed were made in high minority census tracts. The bank's internal pre-merger analysis of home equity lending showed that four of 590 (0.68%) originations in 1994 and 14 of 1,284 (1.09%) originations in 1995 were made within high minority census tracts.

An analysis of selected transactions (seven loans and six denied credit applications) from the bank's 1995 HMDA data was reviewed for fair lending purposes. The bank has implemented centralized underwriting, credit scoring and conducted training relative to fair lending.

Conclusions

No instances of prohibited discrimination were noted during the examination. The bank is in compliance with the substantive provisions of the fair housing and fair lending laws, including the Fair Housing Act and the Equal Credit Opportunity Act.

V. COMMUNITY DEVELOPMENT

Assessment Factor (h) - The institution's participation, including investments, in local community development or redevelopment projects or programs.

Scope and Findings

The bank's community development lending, involvement in initiatives which promote fair housing and encourage home buying by low-income and minority individuals, participation in local bond activity, and assistance offered to non-profit groups, government and/or local service agencies serving low- and moderate-income residents were reviewed.

The bank proactively seeks to make loans which promote community development. A sample of these loans is listed below:

| <u>DATE</u> | <u>AMOUNT</u> | <u>TYPE/PURPOSE OF ORGANIZATION</u> |
|----------------|---------------|--|
| June, 1996 | \$ 150,000 | Development Corporation/ Participation in Age in Place Loan Program |
| May, 1996 | \$ 20,000 | Development Group/ Working Capital line of credit benefitting a low- and moderate-income community |
| April, 1996 | \$5,240,000 | Development Corporation/ Refinancing for seven multi-family buildings |
| March, 1996 | \$5,000,000 | Funding for first-time home buyer program in low- and moderate-income communities |
| February, 1996 | \$ 586,540 | Construction loan for affordable townhouses in a low- and moderate-income community |
| February, 1996 | \$ 718,000 | Development Corporation/ Funding for loan subsidy initiative to small businesses |
| December, 1995 | \$ 250,000 | Loan to assist in the rehab of single family homes in low- and moderate-income communities |
| December, 1995 | \$ 250,000 | Fund low-interest rate business loans |
| December, 1995 | \$ 150,000 | Housing Organization/ Operational line of credit |
| October, 1995 | \$ 400,000 | Housing Organization/ Construction loan |
| December, 1991 | \$4,000,000 | Revolving line of credit for affordable housing projects in low- and moderate-income communities (credit line is still accessible) |

In addition, the bank committed (July 1996) to a \$500,000 construction loan for low-income housing to a minority housing development council, and to a \$600,000 loan (June 1996) to a local low-income housing organization to purchase 20 lots for development of low-income housing.

A review of the bank's investment portfolio revealed the bank has invested in 57 bond issues from counties, cities, villages and park districts within the delineated community. These issues represent an approximate investment of \$20 million within the bank's community.

Conclusions

The bank's community development activities, in the form of loans and the purchase of bonds, are proactive, address identified needs within the community, and contribute to the overall improvement of the community.

Assessment Factor (k) - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

There are no apparent factors relating to the bank's financial condition and size, or local economic conditions that would prevent the bank from meeting community credit needs.

Assessment Factor (l) - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the credit needs of its entire community.

Scope and Findings

The other programs and services that relate to meeting the credit needs of the community were reviewed and are as follows:

- On June 4, 1996, the bank sponsored a lenders breakfast in conjunction with a mortgage insurance corporation. The purpose of the event was to introduce the National Homeownership Concept to the banking community and to obtain a commitment from lenders to participate in the initiative. A letter of intent was distributed to attendees; 17 respondents committed to participating in the program.
- On April 10, 1996, the bank sponsored a seminar for landlords and rental/management organizations for affirmative marketing and relocation in communities where there is less than a 5% minority population. In addition to the information presented during the seminar, the attendees (approximately 20) received information pertaining to products and seminars offered by the bank.

- On November 4, 1995, the bank sponsored a Budget, Credit Management and Home Buying Seminar. Of the 31 attendees, eleven indicated a need for assistance regarding credit counseling, and seven indicated a need for home buying counseling.

- In 1995 and 1996 YTD, the bank provided in excess of \$50,000 in the form of community development grants and investments to groups and organizations .

Conclusions

These activities improve the community's awareness of bank services and products and provide useful financial information to consumers.