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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 Community Reinvestment Act (CRA) performance of **The Northern Trust Company, Chicago, Illinois** prepared by **The Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **December 8, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

This institution elected to be evaluated under the Strategic Plan option. The plan, approved by the agency, sets forth goals for satisfactory and outstanding performance. The Strategic Plan was approved by the Board of Governors of the Federal Reserve System on December 18, 1996 and was effective on January 1, 1997.

The following measurement criteria were applied to the evaluation of the bank's CRA Strategic Plan:

Satisfactory Performance - Substantially all goals have been met.

- a. At least 90% of the Direct Lending Goals in aggregate number and dollar amount, with reasonable explanations for shortfalls in any area less than 90%.
- b. At least 90% of Service Goals met with reasonable explanations for any goals not met.
- c. At least 90% of the Investment Goals are met.

Outstanding Performance -

- a. The aggregate Direct Lending Goals are exceeded by 10%.
- b. All of the Service Goals are met.
- c. The Investment Goals are exceeded by at least 10%.

Institution

Institution's CRA Rating:

This institution is rated **outstanding record of meeting community credit needs** based on the findings presented below.

The bank exceeded its overall lending goals by 90.93% and 93.97%, for the number and dollar amount, respectively. As defined by the Strategic Plan, outstanding performance is assigned when the aggregate Direct Lending Goals are exceeded by 10%. The bank far exceeded the 10% goal, and is assigned an outstanding rating for its total lending.

The bank met its Strategic Plan Goals for the delivery of retail banking and community development services. As defined by the Strategic Plan, outstanding performance is assigned if all Service Goals are met. The bank met all service goals as outlined in the Strategic Plan, and is rated outstanding in the service category.

The bank made a total of \$6,818,000 in qualified investments, exceeding its 1997 minimum goal of \$5,775,000 by 18.06%. As defined in the Strategic Plan, outstanding performance is assigned if the investment goals are exceeded by at least 10%. The bank is considered outstanding in this category.

The bank has been responsive to the credit needs of low-income residents and areas through extensive use of innovative, complex and flexible lending practices and programs. The bank is a strong supporter of community development activities; this is evident from its investments, loans, grants and donations of financial and human resources in all segments of the assessment area. The bank provides a high level of community development services which target identified needs throughout the assessment area. The bank's branches and ATMs are readily accessible, and retail credit products, services and facilities are consistently available throughout the bank's assessment area, including low- and moderate-income areas.

Although the bank's Strategic Plan was effective on January 1, 1997, it included goals for 1996. The 1996 goals were included in order to present the context in which the 1997 - 1999 goals were set. The bank's 1996 lending, service and investment activities were reviewed and revealed that the bank's actual performance was consistent with the 1996 goals outlined in the Strategic Plan. Furthermore, the bank's goals articulated in the Strategic Plan, by aggregate dollars and for the service test, were consistent between 1996 and 1997. The following discussion pertains to the bank's 1997 performance.

Performance Context

The bank completed a very detailed community profile to determine the context in which it will perform. Please refer to the bank's Strategic Plan, located in the bank's Public File, for details.

An economic forecast of the Chicago Metropolitan Statistical Area (MSA) for 1996 through 1998 was included in the bank's Strategic Plan. The economic forecast makes assumptions that impact the demand for credit and other services. There were no significant changes in the economy that could affect the bank's performance in meeting its CRA goals. The following information is included for 1997 based on actual information.

The Economy of the Chicago MSA 1996-1997

(1) Population

The population of the Chicago MSA was forecasted to grow by 1.3% per year. Estimated growth for 1996 by the U.S. Bureau of the Census was 44,239 compared to the Bank's forecast of 97,803. Cook County experienced a modest population loss (8,366 persons or less than 1%). During 1996, the population in the bank's assessment area increased as a result of population increases in DuPage and Lake Counties of 8,179 and 13,119 persons, respectively.

For the City of Chicago, projections indicate a net out migration of 62,179 persons from 1990 through 1996, a 2.2% decrease and 13,486 or 0.5% for 1996.

(2) Employment

According to the Bureau of Labor Statistics, the number of people employed in the Chicago MSA was 3,826,785 for 1995. In 1996 and 1997, the number of people employed was 3,847,411 and 3,908,822, respectively. The number of people employed increased by 20,626 and 61,411 for 1996 and 1997, respectively. As expected, Cook County lost jobs in 1996; however, experienced an increase in 1997 to 2,518,266 employed, an increase of 39,565 over 1996.

Unemployment rates for the Chicago MSA have continued to decrease since 1995. In 1996, the unemployment rate for the Chicago MSA was 5.0% which decreased to 4.8% in 1997.

(3) Incomes

Per capita income in the three counties within the Bank's assessment area grew between 5.3% and 6.1% between 1985 and 1995. Lake County experienced the highest average annual growth rate at 6.1%, and its per capita income was \$35,927 in 1995. By

comparison, Cook and DuPage Counties= 1995 per capita incomes were \$27,293 and \$34,840, respectively. The DuPage County average annual growth rate was 5.6% between 1985 and 1995.

(4) Households and Housing

Residential building permits for single family homes and multi-family dwellings remained stable during 1996 and 1997, as projected. Total 1996 and preliminary 1997 building permits represented 24,568 and 22, 692, respectively, according to the U.S. Bureau of the Census, Manufacturing and Construction Division. Single family homes accounted for 23,561 and 21,497 for 1996 and 1997, respectively. Multi-family units totaled 8,589 and 7,413 for 1997 and 1996. Together, DuPage and Lake Counties have 7,303 single-family buildings, 61.2% higher than Cook County.

(6) The Outlook for Interest Rates

The Bank forecasted that the major interest rates would increase and then decline modestly in mid-1997; however, the bank's Prime Rate remained lower than projected. Both the 30-Year and the 2-Year U.S. Treasury Bonds remained lower than expected.

The key interest rates which most often are reflected in mortgage loan interest rates and in loans to businesses are listed below.*

	Interest Rates					
	<u>2Q1996</u>	<u>4Q1996</u>	<u>2Q1997</u>	<u>4Q1997</u>	<u>1996avg</u>	<u>1997avg</u>
30-Yr. U.S.Treasury	6.93%	6.61%	6.93%	6.14%	6.71%	6.64%
2-Yr. U.S. Treasury	6.12%	5.80%	6.27%	5.73%	5.84%	5.99%
Bank Prime	8.25%	8.25%	8.50%	8.27%	8.44%	

*Federal Reserve Board of Governors

Because the bank's direct lending goals were predicated on the 30-year Treasury Bond rates, which remained lower than expected, the bank was able to significantly exceed its goals for home and small business lending.

Conclusions with Respect to Performance in the Bank's Assessment Area

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity (ECOA) and Fair Housing Acts. There are no outstanding complaints against the bank.

Discussion of Performance in the Chicago MSA, which includes the Bank's Assessment

Area

The bank's assessment area includes all of Cook and DuPage Counties, and the following nine townships in Lake County: Cuba, Deerfield, Ela, Libertyville, Shields, Vernon, Warren, Waukegan and West Deerfield. All or parts of the following cities and villages are in the bank's assessment area: Waukegan, Lake Forest, Highland Park, Deerfield, Mundelein, Lake Zurich, Tower Lakes, North Barrington, Highwood, North Chicago and Gurnee.

The bank's Strategic Plan is divided into three sections: Direct Lending (including purchased loans), Service and Investment Goals.

I. **DIRECT LENDING GOALS** - The bank's plan included direct lending goals for mortgage, small business and community development loans.

The following chart illustrates the comparison of the bank's Strategic Plan Goals and its actual performance for mortgage loans.

MORTGAGE LOANS	STRATEGIC PLAN GOAL		ACTUAL PERFORMANCE	
	#	\$(000)	#	\$(000)
Conventional loans in low- or moderate-income census tracts*	200	21,000	223	29,347
Affordable Mortgage Programs**	250	20,200	779	75,656
Multi-Family Loans***	30	6,000	33	9,586
TOTAL MORTGAGE LOANS	480	47,200	1,035	114,589

* Includes residential purchase/refinancing and home equity credit lines
 ** Includes First Time Home Buyers Program, Neighborhood Lending (Single-Family), Lease Purchase, Affordable Home Ownership Program, New Homes for Chicago, American Dream Program, GAP Community Loan Program and DuPage Homestead Program.
 *** Includes multi-family, mixed-use and commercial owner-occupied.

As the preceding chart illustrates, the bank far exceeded its goals in each category. For conventional loans in low- or moderate-income census tracts, the bank exceeded its goal by 11.5% and 39.75% in number and dollar amount, respectively. For affordable mortgage loans, the bank exceeded its goal by 211.6% and 274.53% in number and dollar amount, respectively. For multi-family loans, the bank exceeded its goal by 10% and 59.7% in number and dollar amount, respectively. For total mortgage loans, the bank exceeded its goal by 115.63% and 142.77% in number and dollar amount, respectively. The bank far exceeded its affordable mortgage goal, and this was attributed to its attractive pricing and the increased volume of loans

from the bank's three affiliates (Northern Trust Bank of Lake Forest NA, Northern Trust Bank O'Hare NA and Northern Trust Bank DuPage NA) that were merged with the bank in March of 1996.

The following chart illustrates the comparison of the bank's Strategic Plan Goals and its actual performance for small business loans by loan size, loans to small businesses with revenues less than \$1 million, and small business loans made in low- or moderate-income census tracts.

SMALL BUSINESS LOANS	STRATEGIC PLAN GOAL		ACTUAL PERFORMANCE	
	#	\$(000)	#	\$(000)
\$100,000 or less	110	4,770	221	11,236
\$100,001 to \$250,000	49	7,950	89	15,314
\$250,001 to \$1,000,000	86	40,280	113	65,355
TOTAL SMALL BUSINESS LOANS less than \$1MM*	245	53,000	423	91,905
Loans to Businesses with Revenues less than \$1MM	33	2,250	225	33,916
Small Business Loans in low- or moderate-income census tracts**	42	7,500	46	7,322

* Includes Conventional, SBA, Bank Consortium, City of Chicago, State of Illinois and Other Municipalities.

** Loans to Businesses with Revenues less than \$1MM and Small Business Loans in low- or moderate-income census tracts are subsets of the Total Small Business Loans less than \$1MM.

As the preceding chart illustrates, for small business loans of \$100,000 or less, the bank exceeded its goal by 100.91% and 135.56% in number and dollar amount, respectively. For small business loans of \$100,001 to \$250,000, the bank exceeded its goal by 81.63% and 92.63% in number and dollar amount, respectively. For small business loans of \$250,001 to \$1,000,000, the bank exceeded its goal by 31.4% and 62.25% in number and dollar amount, respectively. For loans to businesses with revenues less than \$1,000,000, the bank exceeded its goal by 581.82% and 140.74% in number and dollar amount, respectively. For small business loans made in low- or moderate-income census tracts, the bank exceeded its goal by

9.52% in number of loans made; however, it fell short of its goal by 2.43% for the dollar amount of loans. Overall for total small business loans, the bank exceeded its goal by 72.65% and 73.31% in number and dollar amount, respectively.

For loans to businesses with revenues less than \$1,000,000, the bank far exceeded its goal; however, in the category of small business loans made in low- or moderate-income census tracts, the bank fell short of its goal (for the dollar amount). This was attributed to the fact that the goals were estimated using incomplete historical data. The bank began collecting data for small business loans on January 1, 1996. The dollar amount shortage for small business loans made in low- or moderate-income census tracts was not significantly short of the bank's goal.

The following chart illustrates the comparison of the bank's Strategic Plan Goals and its actual performance for community development lending.

COMMUNITY DEVELOPMENT LENDING	STRATEGIC PLAN GOAL		ACTUAL PERFORMANCE	
	#	\$(000)	#	\$(000)
Participations in Loan Consortia*	220	2,300	371	2,174
Direct Loans**	25	22,500	23	33,796
TOTAL COMMUNITY DEVELOPMENT	245	24,800	394	35,970

* Includes Participations in the Chicago Family Housing Fund, Community Investment Corporation, Southland CDC and the Lake County Multi-Bank Consortium.

** See chart below for a breakdown of Community Development Loans

As the preceding chart illustrates, the bank exceeded its goal for participations in loan consortia by 68.64% in the number of loans; however, fell short of its dollar amount by 5.8%. For direct community development loans, the bank fell short of its goal by 8.7% for the number of loans made; however, exceeded its dollar amount goal by 50.2%. The bank exceeded its goal for community development lending by 60.82% and 45.04% in the number and dollar amount, respectively.

The following chart illustrates a detailed list of direct community development loans made by the bank during 1997.

BORROWER	PROJECT DESCRIPTION
Chicago Equity Fund (CEF)	Increase in bridge loan bankers pool for CEF low income housing tax credits. Line provides interim financing for the tax credit projects done in Chicago and surrounding counties by CEF and then sold to its investors.
Community Investment Corporation	Annual renewal of line of credit to bridge financing gap for multi-family loans in low- or moderate-income census tracts.
DuPage Homeownership Center	Commitment to fund first mortgages in DuPage County. Targets low- or moderate-income individuals and families in DuPage County.
Metropolitan Family Services	Line increase to social service agency targeting low- or moderate-income individuals.
Various	17 Multi-Family housing loans providing affordable housing in low- or moderate-income census tracts.
REG Development	Line of credit used to finance the purchase and rehab of multi-family properties in the Lawndale area. It is a subsidiary of a minority- owned financial institution.
Six Corners Development Corporation	Bridge financing for redevelopment/construction of a blighted sight (as designated by the City of Chicago) located within Chicago. The new retail development benefits and stabilizes the area.

Although not specified in the bank's Strategic Plan, the bank issued three letters of credit and a direct community development loan to SunAmerica Housing Funds.

The direct loan to SunAmerica Housing Funds was a five-year revolving credit to provide bridge financing for low income housing tax credit transactions, nationwide. Although this loan is a qualified community development loan, it does not directly benefit the bank's assessment area; therefore, it is not included in the bank's actual performance. The Questions and Answers in

Regulation BB - The Community Reinvestment Act states that a regional or statewide area may be as small as a city or county or as large as a multi-state area. It further states that the larger the regional area, the benefit will be less significant to the bank's assessment area.

The three letters of credit, as illustrated in the following chart, qualify as community development; however, since they are letters of credit, they are not counted as a direct loan. Since this direct community development loan and three letters of credits were not included in the bank's Strategic Plan, they are not credited against the plan.

BORROWER	PROJECT DESCRIPTION
Catholic Charities Housing Development Corporation	Direct pay Standby letter of credit for credit enhancement and liquidity of a bond issue to construct and renovate five homes for the elderly. Four of the five homes provide affordable housing for low income elderly and some provide meals and social services to tenants.
City of Chicago Stock Yards TIF (Tax Increment Financing) Districts	Two letters of credit used to support bonds issued by the City of Chicago to finance the redevelopment and infrastructure in a low- and moderate-income area within Chicago. Also, it creates jobs and attracts manufacturers to this low- and moderate-income area.
De La Salle Institute	Standby letter of credit to support a tax-exempt bond issue to finance a new athletic facility, renovate a student commons area, a library and two computer labs. De La Salle is a nonprofit, benefiting low- and moderate-income residents, governed by the Midwest Province of the Christian Brothers.
TOTAL LETTERS OF CREDIT	\$56,658,600.00

The following chart illustrates the comparison of the bank's Strategic Plan Goals and its actual performance for total lending.

<u>TOTAL LENDING</u>	STRATEGIC PLAN GOAL		ACTUAL PERFORMANCE	
	#	\$(000)	#	\$(000)
	970	125,000	1,852	242,464

As the preceding chart illustrates, the bank exceeded its overall lending goals by 90.93% and 93.97% in the number and dollar amount, respectively. As defined by the Strategic Plan, outstanding performance is assigned when the aggregate Direct Lending Goals are exceeded by 10%. The bank far exceeded the 10% goal, and is assigned an outstanding rating for its total lending.

II. SERVICE GOALS - The Service Goals are divided into two sections, Delivery of Retail Banking Services and Community Development Services.

A. The following chart illustrates the bank's performance in the delivery of retail banking services.

STRATEGIC PLAN GOAL	ACTUAL PERFORMANCE
Construct/Renovate a site on the west side of Chicago for a full service-branch.	Renovation has begun at 2824 W. Fullerton (Corner of Fullerton and Mozart).
Select a site for a Loan Production Office.	The NHS office in Auburn Gresham has been selected.
Place one ATM in a retail establishment in a low- or moderate-income community.	A grocery store at 3575 W. Fullerton (2210.00/moderate income census tract) has been operational since 10/97 as an ATM site.
Continue to offer <u>Banking Assistance by Phone</u> .	1,237 applications were sent to applicants (32 in Spanish).
Continue the <u>Loan by Phone Service</u> .	105 applications were sent to applicants.
Continue to offer <u>Bank by Mail</u> service.	163,619 bank by mail transactions were processed.

As the preceding chart illustrates, the bank met its Strategic Plan Goals for the delivery of retail banking services.

B. The following chart illustrated the bank's performance in community development services.

STRATEGIC PLAN GOAL	ACTUAL PERFORMANCE
Provide a minimum of 1,000 hours of technical assistance to community-based and other nonprofit organizations that are involved in affordable housing development, economic development, and other community revitalization initiatives.	1,563 technical assistance hours have been documented.
Provide at least 80 community education seminars.	117 seminars were documented.
To the extent possible, community education seminars will be conducted in Northern Trust branches or other facilities accessible to community residents.	<p>6 seminars were conducted for employees of a business in a moderate-income census tract.</p> <p>5 seminars were conducted in churches.</p> <p>11 seminars were conducted in schools.</p> <p>10 events included housing/home improvement fairs.</p>
As appropriate, the bank will provide bilingual staff for community education seminars.	2 seminars were documented as being provided in Spanish/Bilingual.
Participate in School Savings Programs: Add one school to the Bank at School program.	Christian Ebinger School was added in 1997.
Add one high school to the A How to do Your Banking@program.	Morgan Park High School and Urban Youth High School were added in 1997.

The following is some additional information on the schools that participate in the Bank at School and How to do Your Banking programs.

Bank at School

Location

School Name

Active

South Side -	West Pullman Elementary	Yes
	Ruggles Elementary	Yes
	Westcott Elementary	Yes
West Side -	Christian Ebinger School	Yes
	Talcot Elementary	Yes
	Anderson Upper Grade School	No*
	Bethune Elementary A Recovering the Gifted Child@	Yes
North Chicago -	Novak King School	Yes
	Katzenmeir School	Yes

How to do Your Banking

<u>School Name</u>	<u>Active</u>
Morgan Park High School	Yes
Urban Youth High School	Yes
DuSable High School	No*
Proviso East High School	No*
Wells Community Academy	Yes
Roberto Clemente High School	Yes
Percy Julian High School	Yes
Orr Community High School	No*
Arts of Living School	No*
Morton West High School	Yes

* Indicates that the schools are part of the program; however, have not participated in the past two years.

The bank met its Strategic Plan Goals for the delivery of community development services. As defined by the Strategic Plan, outstanding performance is achieved if all of the Service Goals are met. The bank met all its service goals, as outlined by the Strategic Plan, and is rated outstanding in the service category.

III. INVESTMENT GOALS

The following chart illustrates the bank’s performance in making qualified CRA investments.

QUALIFIED CRA INVESTMENTS - ACTUAL PERFORMANCE			
Name	Purpose	Amount	Date

		\$(000)	
Allied Investment Corporation	Investment in SBIC (Small Business Investment Corporation) fund to provide gap financing for small businesses.	1,000	3-19-97
ARK Capital Management	Equity Investment in venture capital fund targeted to minority and women-owned small ASBA@ (Small Business Administration) businesses. The majority of which meet the SBA size standards and have a community development impact. *	1,000	7-01-97
CANDO	AEquity like@investment in micro loan pool. CANDO is a CDFI (Community Development Financial Institution).	50	8-29-97
Chicago Community Loan Fund	AEquity like@note purchased in Certified CDFI to finance nonbankable real estate transactions for nonprofits.	250	7-31-97
Chicago Equity Fund	Partnership note purchased in low-income housing tax credit fund.	500	7-30-97
Community Reinvestment Fund	Note purchased to establish new fund for affordable housing, real estate development and historic tax credits in low- and moderate-income areas.	500	11-07-97
Charitable Grants	Qualified donations	834	12-31-97
Lake County Micro Loan Pool	Investment yielding 0% return * in micro loan pool targeted at Lake County businesses. Financing these small business loans promotes economic development.	34	9-15-97
Neighborhood Housing Services	Operating Grant for affordable mortgage office.	50	8-31-97
Neighborhood Housing Services	AEquity like@investment in a Certified CDFI. *	1,500	5-01-97
Neighborhood Housing Services	Senior note purchase for a Certified CDFI.*	1,000	5-01-97
Nonprofit Financial Center	AEquity like@note purchase to a Certified CDFI * The majority of its borrowers serve	100	8-31-97

	low- and moderate-income individuals.		
Totals/Results	All Qualified (five innovative or complex)	6,818	All 1997

* Innovative or Complex

As the preceding chart illustrates, the bank made a total of \$6,818,000 in qualified investments. The bank's 1997 Goal was to make a minimum of \$5,775,000 in qualified investments. As defined by the Strategic Plan, outstanding performance occurs when the investment goals are exceeded by at least 10%. The bank exceeded its goal by 18.06% in the dollar amount of CRA qualified investments and is considered outstanding in this category. The bank has an excellent level of qualified community development investments and grants within the assessment area, and used innovative and complex investments to support its community development initiatives.

Summary of Results

The bank exceeded its overall lending goals, and as defined in the Strategic Plan, is assigned an outstanding rating for the direct lending category. The bank met its goals for the delivery of retail banking services and community development services, and the bank is assigned an outstanding rating for the service category. The bank is also assigned an outstanding rating for its qualified investments.

The bank's overall CRA rating is outstanding record of meeting community credit needs.

Appendix A-Scope of Examination

TIME PERIOD REVIEWED: January 1, 1997 to December 31, 1997

FINANCIAL INSTITUTION: The Northern Trust Company, Chicago, Illinois

PRODUCTS REVIEWED: Conventional Mortgage
Affordable Mortgage
Multi-Family
Small Business
Community Development

ASSESSMENT AREA: The Northern Trust Company has defined its assessment area as the following area, entirely within Illinois and the Chicago Metropolitan Statistical Area: All of Cook and DuPage Counties, and nine townships in Lake County: Cuba, Deerfield, Ela, Libertyville, Shields, Vernon, Warren, Waukegan and West Deerfield.