

# **PUBLIC DISCLOSURE**

April 25, 2011

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**North Shore Bank, FSB  
15700 West Bluemound Road  
Brookfield, WI 53005-6024  
Docket #: 02130**

**Office of Thrift Supervision  
Central Region  
One South Wacker Drive, Suite 2000  
Chicago, Illinois 60606**

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.



**Office of Thrift Supervision**  
Department of the Treasury

*Central Region*

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June 9, 2011

Board of Directors  
North Shore Bank, FSB  
15700 W Bluemound Rd  
Brookfield, WI 53005-6024

Docket No. 02130

Members of the Board:

Enclosed is your institution's first written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of April 25, 2011. Pursuant to the provisions of the CRA and OTS regulations (12 C.F.R. 563e), your institution must make this evaluation and your institution's CRA rating available to the public.

In accordance with 12 C.F.R. 563e, your institution must make this written CRA Performance Evaluation available to the public within 30 business days of receiving it. You must place the evaluation in your CRA public file at your home office and at each branch within this time frame. You may not alter or abridge the evaluation in any manner. At your discretion, you may retain previous written CRA Performance Evaluation(s) with the most recent evaluation in your CRA public file.

Your institution may prepare a response to the evaluation. You may place the response in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

All appropriate personnel, particularly customer contact personnel, need to be aware of the responsibilities that the institution has to make this evaluation available to the public. Consequently, we suggest that your institution review internal procedures for handling CRA inquiries, including those pertaining to the evaluation and other contents of the CRA public file.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution.

Sincerely,

Georgia Chisolm  
Assistant Director-Compliance

Enclosure

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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 to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of entity name. The Office of Thrift Supervision (OTS) prepared the evaluation as of August 18, 1989. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

***Institution***

**Overall Rating**

**INSTITUTION'S CRA RATING: Satisfactory**

The analyses performed at this examination concluded that North Shore has a good record of meeting the credit needs of its communities, including those of low- and moderate-income families and neighborhoods.

North Shore's overall mortgage and small business lending levels are adequate, with a substantial majority of loans originated inside the assessment areas. North Shore's lending to borrowers of different income levels is adequate, and its record of making small business loans and lending to small businesses is adequate.

North Shore's geographic distribution of residential and small business loans in the assessment areas is adequate and the level of community development lending is adequate. The institution has numerous innovative or flexible lending products and programs that help serve various credit needs of the assessment areas.

North Shore's level of qualifying CRA investments and donations is poor.

North Shore's retail banking services are reasonable and essentially accessible to all segments of the communities it serves. The institution has a good level of community development services in the assessment areas, particularly in the Milwaukee MSA. North Shore's outreach efforts to the Hispanic community are especially commendable. North Shore effectively secured grants for a number of low- and moderate-income borrowers and the institution offers several products that assist in helping unbanked individuals or those with poor credit.

**Institution**

**Lending, Investment, Service Test Table**

The following table indicates the performance level of North Shore Bank, FSB with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	North Shore Bank, FSB 4/25/2011		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X		
Needs to Improve		X	
Substantial Noncompliance			

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

**Description of Institution**

North Shore Bank, FSB (North Shore) is a federally chartered mutual thrift headquartered in Brookfield, Wisconsin. As of December 31, 2010 the institution had assets totaling \$1.9 billion. North Shore’s primary business focus is to serve its local communities through the origination of mortgage, consumer and small business loans, and to provide a variety of deposit-related banking services to its customers.

North Shore has 53 full-service retail offices including its main office located in Brookfield, Wisconsin, a western suburb of Milwaukee. This total includes nine branches purchased through the acquisition of Maritime Savings Bank in September 2010 including one branch in Arizona (subsequently closed in February 2011). The locations of the branch offices include 31 within the four counties of the Milwaukee-Waukesha-West Allis metropolitan statistical area (MSA), seven in Brown County of the Green Bay MSA, five in Racine County of the Racine MSA, three in Door County which is a non-MSA area, two within the City of Appleton in the Appleton MSA, one in Kenosha County of the Lake County-Kenosha County Metropolitan District (MD), one in the City of Menasha in the Oshkosh-Neenah MSA, two in McHenry County, Illinois within the Chicago-Naperville-Joliet MSA.

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***Institution (continued)***

North Shore operates 53 on-site and five off site automated teller machines (ATMs) in Eastern Wisconsin and the institution offers ATM cards that allow access to a statewide network of terminals.

North Shore is a full-service financial institution that offers numerous mortgage and consumer loan products. The institution originates both owner and non-owner-occupied conventional one- to four-family first-mortgage loans with a maximum loan-to-value ratio of 100 percent. Loan products also include Government-insured lending such as Veterans Administration (VA), Federal Housing Administration (FHA), Wisconsin Department of Veterans Affairs (WDVA), and Wisconsin Housing and Economic Development Authority (WHEDA) loans. North Shore also originates construction, residential lot, bridge, multi-family, and builder spec and subdivision loans. In addition, the institution originates small business loans and lines of credit, working capital and equipment loans, and business letters of credit. Consumer loan financing consists of second mortgage, home equity lines of credit, automobile (including leases), boat, recreational vehicle, unsecured personal and savings account loans.

North Shore's mortgage loan portfolio on December 31, 2010 totaled \$1.047 billion (net of allowances) which represented 56.2 percent of total assets. Within this total is \$655.1 million in loans secured by one- to four-family properties, \$254.2 million secured by multi-family properties, \$34.7 million in construction loans and \$109.7 million in non-residential loans and land loans. Non-mortgage loans totaled \$364.2 million, or 19.5 percent of total assets including (before allowances) \$130.3 million in commercial business loans and \$243.3 million in consumer loans. Mortgage-backed securities totaled \$209.2 million and represented 11.2 percent of total assets. Cash and government/agency securities totaled \$114.8 million and represented 6.2 percent of total assets.

According to OTS' Uniform Thrift Performance Report (UTPR) on December 31, 2010, North Shore had a fairly typical balance sheet compared to other thrifts in its asset range<sup>a</sup>. The most significant differences (as a percent of assets) were less non residential loans as well as cash and investment securities with more multifamily and commercial non-mortgage loans.

The institution offers a variety of savings and deposit products including statement savings accounts, checking accounts (including business checking accounts), money market accounts, and certificates of deposit. In addition, the institution offers traveler's checks, cashier's checks, money orders, safety deposit boxes, wire transfer services, notary services, and utility bill payment services.

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<sup>a</sup> Similarly sized thrifts in this context are the 81 institutions regulated by the OTS with total assets between \$1 billion and \$5 billion as of December 31, 2010.

## ***Institution (continued)***

There are no identifiable constraints limiting the institution's ability to help meet the credit needs of its local communities, including those of low- and moderate-income families and neighborhoods. However, the institution's assessment areas are experiencing historically high unemployment rates. The previous CRA evaluation of December 28, 2007 rated North Shore "Satisfactory."

### **Scope of Examination**

The review period for this evaluation of North Shore's CRA performance is the three year period 2008, 2009 and 2010. We used the interagency examination procedures for large, retail savings associations as well as full scope examination procedures for all eight assessment areas.

Demographic data in this evaluation is based on 2000 U.S. Census data. We conducted full scope reviews evaluating North Shore's CRA performance relative to the lending, investment, and service tests for each of the eight assessment areas, although those assessment areas with lower activity did not include certain comparative analysis.

The evaluation places much more emphasis on North Shore's performance in the Milwaukee-Waukesha-West Allis Wisconsin MSA (Milwaukee MSA) since, within its assessment areas, 58.2 percent of North Shore's HMDA lending, and 56.2 percent of small business lending was in the Milwaukee MSA. Additionally, most of North Shore's investments and several services specifically related to this MSA. The evaluation also placed emphasis on the assessment areas for the Racine MSA, Green Bay MSA, Lake County-Kenosha County MD and Wisconsin Non-MSA since lending and other activity was significant, but well below the Milwaukee MSA. Separate ratings were prepared for the states of Wisconsin and Illinois, although North Shore's activity within Illinois is minimal.

With regard to the lending test, we reviewed the institution's HMDA reportable loans, small business loans and community development loans originated during 2008, 2009 and 2010. The institution elected not to include consumer lending activity in the CRA evaluation.

CRA regulations define small business loans as loans originated in amounts of \$1 million or less and define small businesses as those with annual gross revenues of \$1.0 million or less.

***Institution (continued)***

This evaluation contains many instances where a comparison is made of North Shore’s HMDA lending to “aggregate” HMDA lenders. We define aggregate lenders as all financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) who reported HMDA lending activity for that particular assessment area. Small business loan aggregates are all financial institutions that are required to report these loans. In both comparative instances the aggregate data includes only loan originations since North Shore did not purchase any HMDA or small business loans. Aggregate data is based on activity in 2009 since this is the most recent available. Aggregate data for 2008 was not included as a brief analysis indicated it would not substantially impact the comparative analysis.

Median family incomes determine census tract and borrower income categories. According to CRA definitions, income is considered low if it is less than 50 percent of median family income, moderate if it is 50 percent to less than 80 percent, middle if it is 80 percent to less than 120 percent, and upper if it is 120 percent or more. The following table details the U.S. Department of Housing and Urban Development (HUD) estimated median family incomes for 2008, 2009 and 2010.

<b>HUD-Estimated Median Family Incomes</b>	
<b>MSA/MD</b>	<b>Median Family Incomes (2008, 2009 and 2010)</b>
Milwaukee MSA #33340	\$67,700; 70,700; 71,100
WI Non-MSA	\$56,200; 58,500; 58,600
Racine MSA #39540	\$64,600; 67,900; 67,900
Green Bay MSA #24580	\$62,900; 65,900; 65,900
Lake County-Kenosha County MSA #29404	\$85,600; 88,800; 89,300
Chicago-Naperville-Joliet IL MSA #16974	\$71,100; 74,600; 74,700
Appleton MSA #11540	\$68,600; 72,000; 71,300
Oshkosh-Neenah MSA #36780	\$64,400; 66,900; 68,400

We obtained lending test information from loan registers and HMDA disclosure statements for both residential loan data and small business data. The institution provided information on community development lending.

The investment test considers new qualifying investments made during the review period as well as qualifying investments initiated in prior periods but which remain on the institution’s books. Also, grants and donations are included if they meet the community development definition.

The service test includes information provided by the institution regarding retail and community development services.

**Institution (continued)**

Two community contacts help determine whether local financial institutions are adequately meeting community credit needs. The contacts were principally involved with activities in the City of Milwaukee. Both noted the difficulties associated with the impact of the recession and foreclosure of homes. One contact discussed the increased need for foreclosure counseling and pooled refinance products and the other discussed the problems with loan servicers and the need to be targeted and focused in efforts to coordinate partnerships addressing foreclosures.

**Description of Assessment Areas**

The following table describes the assessment areas and the applicable MSA/MD.

Description of Assessment Area	
County Names (Number of Branches)*	MSAs/MD's
Milwaukee (20); Ozaukee (2); Waukesha (9)	Milwaukee-Waukesha-West Allis MSA #33340
Racine (5)	Racine MSA #39540
Brown (7)	Green Bay MSA #24580 (partial)
Door (3)	WI Non-MSA (partial)
Kenosha (1)	Lake County-Kenosha County MD #29404 (partial)
Outgami (2); 16 census tracts within County plus one census tract in Calumet County	Appleton MSA #11540 (partial)
Winnebago (1); 9 census tracts within County	Oshkosh-Neenah MSA #36780 (partial)
McHenry (2) Illinois	Chicago-Naperville-Joliet IL MSA #16974 (partial)

\*As of December 31, 2010: North Shore acquired a branch from Maritime SB in September 2010 in Fountain Hills, Arizona, which it subsequently closed in early 2011. This branch and the designated assessment area are not included in this CRA analysis due to minimal activity and the branch closing.

The overall assessment area consists of 617 geographies (census tracts) including 570 in eastern Wisconsin and 47 tracts in northeastern Illinois. There are 85 low-income (13.8 percent); 115 moderate-income (18.6 percent); 282 middle-income (45.7 percent); 131 upper-income (21.2 percent) and four “NA” (0.7 percent) census tracts, respectively in the combined assessment areas.

According to the 2000 Census Bureau data, the combined assessment areas have a population of 2.5 million which includes 946,351 households and 635,356 families. There are 999,870 housing units of which 616,582, or 61.7, percent are owner-occupied housing units (OOHU’s). Multifamily units are significant, totaling 18.1 percent of all housing units and vacant units totaled 5.4 percent. Also important is the 8.3 percent of households that are below poverty level. Unemployment is at historically high levels with the December 2010 unemployment rate for Wisconsin at 7.1 percent and

***Institution (continued)***

unemployment rates for the specific counties within North Shore’s assessment areas range from 5.4 percent to 10.9 percent.

The percent of low-, moderate-, middle-, upper income families in the combined assessment areas is 18.5; 18.1; 24.7; and 38.7 percent, respectively. The percent of owner occupied housing units (OOHU’s) in low-, moderate-, middle-, upper income tracts is 3.1; 11.2; 53.7; and 32.0, respectively.

**Conclusions With Respect To Performance Tests**

**LENDING TEST**

***Overall Lending Activities***

North Shore exhibited adequate overall lending activities with relatively high levels of HMDA and small business lending.

***HMDA Lending***

North Shore offers a variety of residential mortgage loans throughout its assessment areas. The following table illustrates the total number and dollar amount of HMDA-reportable loans (home purchase, refinance and home improvement loans) originated inside and outside the assessment areas for each year during the 36-month review period ended December 31, 2010.

<b>HMDA Assessment Area Lending Analysis*</b>					
<b>1/1/2008 – 12/31/2010</b>					
<b>(Dollars in thousands)</b>					
	<b>Inside Assessment Area</b>		<b>Outside Assessment Area</b>		<b>Total HMDA Loans</b>
<b>Year</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>
2008	968	88.5	126	11.5	1,094
2009	1,694	89.5	198	10.5	1,892
2010	1,285	88.8	162	11.2	1,447
<b>Total</b>	<b>3,947</b>	<b>89.0</b>	<b>486</b>	<b>11.0</b>	<b>4,433</b>
<b>Year</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>
2008	\$189,945	79.2	\$ 50,009	20.8	\$239,954
2009	312,465	87.0	46,725	13.0	359,190
2010	266,982	87.9	36,740	12.1	303,722
<b>Total</b>	<b>\$769,392</b>	<b>85.2</b>	<b>\$133,474</b>	<b>14.8</b>	<b>\$902,866</b>

\* Percents are based on total loans originated during applicable year

North Shore originated a substantial majority of its loans within its combined assessment areas with 89.0 percent by number and 85.2 percent by dollar amount within those areas.

**Institution (continued)**

Also, the 2009 (most recent year available) HMDA market share report for FDIC insured institutions indicates a 2.0 percent market share, by number, ranking North Shore tenth out of 433 institutions. This represents a good lending penetration within the institution’s assessment areas. According to the UTPR, North Shore in 2009 was moderately above average in mortgage loan originations (as a percentage of total assets) among other thrifts in its asset range.

The following table indicates North Shore’s three year distribution of loans by assessment area.

<b>Distribution of HMDA Loans by Assessment Areas</b>		
<b>Assessment Area</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>
Milwaukee MSA	2,297	56.2
Non-MSA (Door County)	453	11.5
Racine MSA	435	11.0
Green Bay MSA	374	9.5
Kenosha MSA	240	6.1
Chicago Naperville Joliet MSA	68	1.7
Appleton MSA (partial)	51	1.3
Oshkosh-Neenah MSA (partial)	29	0.7
<b>Total</b>	<b>3,947</b>	<b>100.0</b>
<b>Assessment Area</b>	<b>Dollar Amount (\$000's)</b>	<b>Percent of Loans</b>
Milwaukee MSA	\$472,454	61.4
Non-MSA (Door Co.)	78,287	10.2
Racine MSA	68,850	8.9
Green Bay MSA	77,125	10.0
Kenosha MSA	43,794	5.7
Chicago Naperville Joliet MSA	14,805	1.9
Appleton MSA	5,923	0.8
Oshkosh-Neenah MSA	8,154	1.1
<b>Total</b>	<b>\$769,392</b>	<b>100.0</b>

***Institution (continued)***

***Small Business Lending***

During the review period, North Shore originated 823 small business loans totaling \$169.7 million. The following table illustrates the total number and dollar amount of small business loans originated inside and outside the assessment area during the review period on a year by year basis.

<b>Concentration of Small Business and Farm Loans*</b>					
<b>01/01/2008 – 12/31/2010</b>					
<b>(Dollars in thousands)</b>					
<b>Period By Year</b>	<b>Inside Assessment Area</b>		<b>Outside Assessment Area</b>		<b>Small Business Loans</b>
<b>By Number</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>
2008	186	70.5	78	29.5	264
2009	196	69.3	87	30.7	283
2010	219	79.2	57	20.8	276
<b>Total</b>	<b>601</b>	<b>73.0</b>	<b>222</b>	<b>27.0</b>	<b>823</b>
<b>By Amount</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>
2008	\$ 23,715	52.0	\$21,860	48.0	\$45,575
2009	42,083	73.7	14,998	26.3	57,081
2010	53,647	80.1	13,364	19.9	67,011
<b>Total</b>	<b>\$119,445</b>	<b>70.4</b>	<b>\$50,222</b>	<b>29.6</b>	<b>\$169,667</b>

\* Percents are based on total loans originated during applicable year

North Shore originated a majority of its small business loans within its combined assessment areas with 73.0 percent by number and 70.4 percent by dollar amount within those areas. Also, the 2009 (most recent year available) small business market share report indicates a 0.5 percent market share, by number, ranking North Shore 25th out of 108 reporting institutions. This represents a reasonable small business lending penetration within the institution’s assessment areas.

North Shore distribution of small business loans was concentrated in the Milwaukee MSA with 338 of 601 (56.2 percent) in that area. North Shore made 117 small business loans (19.5 percent) within the McHenry County, Illinois assessment area and 53 loans (8.8 percent) within Brown County (Green Bay MSA assessment area). The remaining assessment areas had low activity with 26 or less small business loans in each of those areas.

## ***Institution (continued)***

### ***Distribution of Loans***

North Shore's HMDA lending to borrowers of different income levels in the assessment areas is generally adequate with the institution's ratios mostly slightly above 2009 aggregate comparisons. North Shore's ratio of loans in the Milwaukee MSA to low- and moderate-income borrowers was slightly below the aggregate and its ratios in the Lake County-Kenosha County assessment area was well below aggregate averages. The institution's WHEDA lending to low and moderate borrowers is good. A comparison of North Shore's lending in relation to demographic data indicates adequate performance.

North Shore's record of small business lending is adequate. In the Milwaukee MSA and McHenry County, Illinois assessment areas where most of the small business activity occurred the institution was well above aggregate averages with its overall percentage of loans to small businesses. Also, 49.4 percent of all small business loan originations inside the combined assessment areas were in original amounts of \$100,000 or less, however, the ratio of loans in this category were below aggregate comparison levels in these two assessment areas.

North Shore's geographic distribution of HMDA loans in its assessment areas is adequate. North Shore's lending percentages in the low- and moderate-income census tracts was generally near 2009 aggregate averages but the institution's Milwaukee MSA averages were significantly above aggregates and the Lake County-Kenosha County assessment area significantly below aggregate averages. A comparison of North Shore's lending to certain demographic data indicates adequate performance.

North Shore's geographic distribution of small business loans in the assessment areas is adequate. In the Milwaukee MSA (the only MSA with comparative analysis) the institution's percentages of small business loans in low- and moderate-income census tracts was moderately above aggregate averages.

### ***Community Development Lending/Innovative and Flexible Lending Practices***

North Shore's level of community development lending is adequate with \$6.0 million in loans within the Milwaukee MSA.

Although the effects of the recession reduced North Shore's ability to offer as many flexible lending products as in the past, there still is a very good selection of innovative or flexible lending products. The products and programs are particularly beneficial to low- and moderate-income borrowers.

### ***Institution (continued)***

Included within the Milwaukee MSA section of this report are details of North Shore's flexible loan products as well as lending volumes in those programs. The largest of North Shore's flexible loan products during the review period included \$18.1 million in the FHLMC Relief Refinance Program and \$17.0 million in the FHA 203(b) loan program. Additionally North Shore had significant volume within the three year review period in other flexible loan products including; a North Shore loan modification program, Individual Tax Identification Number (ITIN) lending that included insurance by private mortgage insurers, WHEDA lending, an in-house "Community Advantage" loan program, and Wisconsin Department VA loans.

North Shore's overall performance under the lending test is "Low Satisfactory." The institution's lending levels are good and the vast majority of loans are within its assessment areas. There is adequate performance in lending to borrowers of different incomes, particularly low- and moderate-income borrowers. The institution's record of granting small business loans to small businesses is adequate. North Shore's geographic distribution of HMDA lending is adequate including in low- and moderate-income areas. The institution's record of granting small business loans in low- and moderate-income census tracts is adequate. North Shore originated a few community development loans. Also, the institution has a good array of flexible lending products including many with relatively high volume of loans during the three year review period.

### **INVESTMENT TEST**

North Shore's overall performance under the investment test is "Needs to Improve." North Shore's level of qualifying investments and grants is poor given the bank's resources and operational complexity. North Shore made no current period qualifying investments in any of its assessment areas. It made only \$21,987 in qualifying grants during the exam period. As of December 31, 2010, it maintained outstanding principal balances on prior period investments totaling \$269,220.

### **SERVICE TEST**

North Shore's overall performance under the Service Test is "High Satisfactory."

***Institution (continued)***

North Shore provides a variety of retail banking services that are accessible to all segments of the communities it serves. North Shore also provides a good level of community development services with personnel providing technical support and financial expertise to organizations that serve low- and moderate-income people and low- and moderate-income areas. The institution continues to have good outreach efforts to the Hispanic community, including participation in a local Milwaukee Hispanic radio show discussing banking topics and availability of loan and deposit products. The institution is effective at securing homeownership assistance grants for a number of its low- and moderate-income borrowers.

North Shore is involved in several programs that assist the unbanked including involvement with an alliance that expands basic retail financial services for underserved populations, partnering to help low-income families prepare tax returns at no cost and opening deposit accounts for tax refunds. Additional programs include opening an in school branch in a Milwaukee moderate-income area to help students develop financial skills, providing assistance for individuals to obtain ITIN's, programs to open low-cost deposit accounts, and counseling for individuals with no or poor credit. North Shore also offers in-house programs designed for building credit.

North Shore operates 53 full-service branch offices in the assessment areas with 51 in Wisconsin and two in Illinois. During the review period the institution opened two full-service branch offices and purchased nine branches in a 2010 FDIC assisted acquisition that including one branch in a low-income tract and one in a moderate-income tract, improving North Shore's penetration in these areas. The acquisition included one branch in Arizona which North Shore closed in early 2011. The institution operates ATM's at all of the branch locations as well as five additional off site ATM's.

The institution has two offices in low-income tracts and four in moderate-income tracts, which represents 11.3 percent of the total branches. In general the branch network locations in the assessment areas are below the demographics for low- and moderate-income areas, but North Shore moderately improved its penetration in these areas with the purchase of the Maritime branch network. North Shore continues to operate a branch and ATM inside a Hispanic grocery store in a low-income area of Milwaukee. Many of the ATMs feature both English and Spanish language options.

Retail services such as branch office hours are good including five branches opened on Sunday and providing convenient access to bank services. There is good lending service with loan officers readily available within the branch network and overall, there is a full range of loan and deposit products offered at each branch office.

***Institution (continued)***

North Shore is one of a small number of financial institutions in Wisconsin designated by the IRS to accept and process applications for Individual Taxpayer Identification Numbers (ITIN's) which assists individuals who do not have Social Security Numbers to obtain the necessary documentation to file tax returns and receive tax refunds.

North Shore is active in aiding low- and moderate-income homebuyers with down payment and closing cost assistance grants, principally through the Federal Home Loan Bank of Chicago. North Shore provided 64 grants totaling \$299,900 during the review period. North Shore also actively conducts residential homebuyer seminars with 27 seminars held during the review period.

**RESPONSE TO CONSUMER COMPLAINTS**

North Shore received no complaints concerning its CRA performance since the preceding evaluation.

**Fair Lending or Other Illegal Credit Practices Review**

The OTS found no evidence of discriminatory or other illegal credit practices that would adversely affect the rating.

## ***Institution (continued)***

### ***State Summary***

#### **CRA Rating for Wisconsin**

<b>CRA RATING:</b>	<b>Satisfactory</b>
<b>The Lending Test is rated:</b>	<b>Low Satisfactory</b>
<b>The Investment Test is rated:</b>	<b>Needs to Improve</b>
<b>The Service Test is rated:</b>	<b>High Satisfactory</b>

North Shore exhibited good residential mortgage and small business lending levels within the state, as well as good HMDA market share. North Shore's lending to borrowers of different income levels and its record of making small business loans to small businesses within Wisconsin is adequate. North Shore geographic distribution of residential and small business loans within the State is adequate. North Shore's level of community development lending is reasonable and the institution has numerous innovative or flexible lending products and programs that help serve various credit needs of the assessment areas.

North Shore's level of qualifying CRA investments and donations within Wisconsin is poor.

North Shore's branch network within Wisconsin provides a reasonable level of retail banking services that are accessible to all segments of the communities it serves, and the extent of changes in its branch network has improved the accessibility of delivery systems. North Shore provides a relatively high level of community development services in Wisconsin with personnel providing many hours of technical support and financial expertise to community organizations. The institution continues to have good outreach efforts to the Hispanic communities. North Shore effectively secured grants for a number of low- and moderate-income borrowers within Wisconsin and the institution offers several products that assist in helping unbanked individuals or those with poor credit.

#### **Scope of Examination**

The evaluation of North Shore Bank's CRA performance in Wisconsin was the primary focus of this review since all but two of the bank's branch offices are located within the state and the vast majority of lending occurred in Wisconsin. A previous section of this report provides specific details on the entire scope of this examination.

## ***Institution (continued)***

### **Description of Institution's Operations in Wisconsin**

North Shore has 50 full-service retail offices, including its main office, located in the eastern portion of Wisconsin with 31 in the Milwaukee-Waukesha-West Allis MSA, seven in the Green Bay MSA, five in the Racine MSA, three in a non-MSA area (Door County), two in the Appleton MSA, one in the Lake County-Kenosha County MD and one in the Oshkosh-Neenah MSA. North Shore operates on-site ATM's at all of the branches as well as five off site ATM's and the institution offers ATM cards that allow access to a statewide network of terminals.

Within the State of Wisconsin, North Shore's assessment areas includes two entire MSAs, portions of three MSA's, a portion of one MD and a portion of the Wisconsin non-MSA area. The decision by management to include only portions of several MSAs is acceptable based on overall activity, branch locations and MSA size.

By far, the most significant lending, investment and service activity is within the Milwaukee-Waukesha-West Allis MSA. There is also significant activity, but to a lesser degree in the Racine MSA, Green Bay MSA, Lake County-Kenosha County MD and the non-MSA area. There is even less activity in the Appleton MSA and Oshkosh-Neenah MSA.

Based on 2000 U.S. Census data, there are a total of 570 census tracts in North Shore's assessment areas within Wisconsin.

There are no identifiable constraints limiting the institution's ability to help meet the credit needs of its local communities, including those of low- and moderate-income families and neighborhoods.

### **Conclusions with Respect to Performance Tests in Wisconsin**

North Shore's performance ratings in Wisconsin are the same as North Shore's overall performance since the vast majority of lending, investment and service activity is within this state.

**Institution (continued)**

**State Metropolitan Area & State Reviewed**

**Description of Institution's Operations in the Milwaukee-Waukesha-West Allis MSA**

North Shore designated the Milwaukee-Waukesha-West Allis (Milwaukee) MSA as an assessment area consisting of Milwaukee, Ozaukee, Washington, and Waukesha Counties.

According to the 2000 Census Bureau data, the Milwaukee MSA has a population of 1.5 million which includes 588,230 households and 383,799 families. There are 618,244 housing units of which 359,082, or 58.1, percent are owner-occupied housing units (OOHU's). Multifamily units are significant, totaling 20.9 percent of all housing units and vacant units totaled 4.9 percent. Also significant is the 9.6 percent of households that are below poverty level. Unemployment is at historically high levels with rates in December 2010 at 8.8 percent for Milwaukee County, 6.6 percent for Washington County, 6.2 percent for Waukesha County, and 5.4 percent for Ozaukee County.

The following table summarizes the income level of the various census tracts within the assessment area, as well as the number and percentage of OOHU's within those tracts, and the number and percentage of families by income level.

Tract or Family Income	Census Tract's		OOHU's		Families	
	Number	Percent	Number	Percent	Number	Percent
Low	79	19.0	16,031	4.4	36,881	19.8
Moderate	83	19.9	43,354	12.1	57,609	17.9
Middle	158	38.0	167,260	46.6	166,318	23.6
Upper	93	22.4	132,437	36.9	122,991	38.7
<b>Totals</b>	<b>*413</b>	<b>100.0</b>	<b>359,082</b>	<b>100.0</b>	<b>383,799</b>	<b>100.0</b>

\* Excludes three "NA" tracts with low population and very few housing units.

The above table reveals the relative lack of OOHU's within both the low and moderate-income tracts of the assessment area. Although low-income tracts represent 19.0 percent of the tracts within the assessment area, the number of OOHU's within those tracts is only 4.4 percent of total OOHU's. Additionally, moderate-income tracts represent 19.9 percent of the tracts within the assessment area, but the number of OOHU's within those tracts is only 12.1 percent.

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***Institution (continued)***

There are ample lending opportunities in the assessment area with HMDA reportable loans for all FDIC insured financial institutions totaling 49,645 in 2009. During this year, conventional home purchase loans represented 13.4 percent of reported loans, while the remaining loan types included 78.5 percent refinance, 4.3 percent government insured home purchase, and 3.8 percent home improvement. Based on most recently available data, the weighted average of median housing for the assessment area was \$125,318.

**Conclusions with Respect to Performance Tests in Milwaukee-Waukesha-West Allis MSA**

**Lending Test**

***Overall Lending Activities***

North Shore originated 2,297 HMDA reportable loans totaling \$472.5 million in the Milwaukee MSA during 2008 through 2010, as well as 42 WHEDA loans totaling \$4.5 million. North Shore also granted 338 small business loans totaling \$68.8 million.

The 2009 (most recent year available) HMDA market share report for FDIC insured institutions indicates North Shore had a 2.0 percent market share, by number, ranking the institution 17th out of 271 institutions. This is in comparison to deposit market share of 1.7 percent of the Milwaukee MSA's deposits at June 30, 2010. This indicates good lending penetration within the institution's assessment area.

***Lending to Borrowers of Different Income Levels and Businesses of Different Sizes***

We conducted a review to determine the reasonableness of the institution's mortgage lending to borrowers of different income levels within the Milwaukee assessment area, particularly its lending to low- and moderate-income borrowers. Criteria used to make this determination include comparing North Shore's lending to borrowers of different income levels to the 2009 aggregate HMDA data lending percentages and to the percentage of families in relation to the median income level for the assessment area.

**Institution (continued)**

The following table shows North Shore’s overall borrower distribution of HMDA reportable loans made during the review period in the assessment area and compares this activity to the 2009 aggregate lending averages in the assessment area.

<b>Comparison of HMDA Loans By Borrower Income Level in the Assessment Area (Dollars in thousands)</b>				
<b>Borrower Income Level</b>	<b>North Shore 2008 - 2010</b>		<b>Aggregate 2009</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Low	176	7.7	3,064	6.2
Moderate	364	15.8	8,341	16.8
Middle	502	21.9	11,946	24.1
Upper	1183	51.5	22,121	44.6
Income NA	72	3.1	4,173	8.4
<b>Total</b>	<b>2,297</b>	<b>100.0</b>	<b>49,645</b>	<b>100.0</b>
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Low	\$ 15,305	3.2	\$ 295,532	3.2
Moderate	42,593	9.0	1,069,882	11.5
Middle	76,261	16.1	1,896,641	20.3
Upper	298,186	63.1	5,173,522	55.5
Income NA	40,109	8.5	890,183	9.5
<b>Total</b>	<b>\$472,454</b>	<b>100.0</b>	<b>\$9,325,760</b>	<b>100.0</b>

The data indicates that for the 2,225 loans where borrower income is available North Shore originated 7.9 percent of its loans to low-income borrowers and 16.4 percent to moderate-income borrowers. Aggregate data indicates FDIC insured lenders, after adjusting for NA’s, originated 6.7 percent to low-income borrowers and 18.4 percent to moderate-income borrowers. North Shore’s lending to low-income borrowers is above aggregate averages, however, when combined, North Shore’s level of 24.3 percent to low and moderate-income borrowers is slightly below the aggregate level of 25.1 percent.

North Shore’s performance in relation to the percentage of families by income is less favorable. Even taking into account that 9.6 percent of households in the assessment area live beneath the poverty line, the institution’s lending volume compared to the percentage of low-income families (19.8 percent) is poor. North Shore’s distribution of loans to moderate-income families better approximates the 17.9 percent of moderate-income families in the assessment area. Although the percentage of mortgage loans originated to low-income borrowers is below the representation of such families in the population, income restraints on the low-income segment make purchase of homes more difficult.

***Institution (continued)***

A review of market share information for 2009 indicates that North Shore had a 1.9 percent market share of loans to low-and moderate-income borrowers placing them 18<sup>th</sup> out of 156 FDIC insured HMDA reporters, which is similar to North Shore’s overall market share in the assessment area.

In addition to its HMDA reportable loans, North Shore originated 42 WHEDA loans in the assessment area totaling \$4.5 million: including 20 to low-income borrowers (47.6 percent), 15 to moderate-income borrowers (35.7 percent), and 7 to middle-income borrowers (16.7 percent). The impact of this state housing agency-sponsored mortgage loan program is evident by the high percentage of loans to low- and moderate-income borrowers.

We conducted a review of small business lending to determine the reasonableness of the institution’s lending based on loan size as well as level of lending to small businesses.

The following table shows the distribution of North Shore’s small business originations in the assessment area, based on loan origination amount, for the three-year review.

<b>Distribution of Small Business Loans by Dollar Amount In Assessment Area (Dollars in thousands)</b>		
<b>Loan Amount at Origination</b>	<b>North Shore 2008 - 2010</b>	
	<b>Number</b>	<b>Percent</b>
\$100,000 or Less	169	50.0
\$100,001 - \$250,000	80	23.7
\$250,001 - \$1 million	89	26.3
<b>Total</b>	<b>338</b>	<b>100.0</b>
	<b>Amount</b>	<b>Percent</b>
\$100,000 or Less	\$ 6,141	8.9
\$100,001 - \$250,000	14,539	21.1
\$250,001 - \$1 million	48,121	70.0
<b>Total</b>	<b>\$68,801</b>	<b>100.0</b>

The institution’s 50.0 percent of loans in amounts of \$100,000 or less was significantly less than the 2009 aggregate average of 84.7 percent. By dollar amount North Shore’s 8.9 percent is below the 16.5 percent aggregate average. North Shore made 160 of 338 of its loans, or 47.3 percent, to businesses with gross annual revenues of \$1 million or less. This is above the 39.7 percent aggregate average in 2009 for those lenders reporting small business loans in the Milwaukee MSA.

Overall, North Shore’s HMDA lending by borrower income and its small business lending by loan size and size of business in this assessment area was adequate.

***Institution (continued)***

**Geographic Distribution of Loans**

We conducted a review to determine the reasonableness of the institution’s geographic distribution of loans within the Milwaukee MSA, particularly its distribution of loans in low- and moderate-income areas.

The following table shows North Shore’s overall geographic distribution of HMDA reportable loans for the three year review period and compares this activity to 2009 aggregate lending (most current year available).

<b>Comparison of HMDA Loans By Geography Income Level in the Assessment Area (Dollars in thousands)</b>				
<b>Geography Income Level</b>	<b>North Shore 2008 - 2010</b>		<b>Aggregate 2009</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Low	68	3.0	800	1.6
Moderate	146	6.3	3,012	6.1
Middle	883	38.5	21,726	43.8
Upper	1,200	52.2	24,107	48.5
<b>Total</b>	<b>2,297</b>	<b>100.0</b>	<b>49,645</b>	<b>100.0</b>
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Low	\$ 9,205	2.0	\$ 100,492	1.1
Moderate	18,680	3.9	374,000	4.0
Middle	159,472	33.8	3,478,817	37.3
Upper	285,097	60.3	5,372,451	57.6
<b>Total</b>	<b>\$472,454</b>	<b>100.0</b>	<b>\$9,325,760</b>	<b>100.0</b>

The data indicates that North Shore originated 3.0 percent of its loans in low-income tracts and 6.3 percent in moderate-income tracts. Aggregate data indicates FDIC insured lenders originated 1.6 percent in low-income tracts and 6.1 percent in moderate-income tracts. North Shore’s level of lending in low- and moderate-income areas is well above aggregate levels.

North Shore’s penetration of low- and moderate-income areas when compared to the percentage of OOHU’s in low- and moderate-income areas is less favorable. North Shore’s 3.0 penetration of low-income areas is comparable to the 4.4 percent of OOHU’s, but its 6.3 percent penetration of moderate-income areas falls well below the 12.1 percent of OOHU’s in moderate-income areas.

***Institution (continued)***

A review of market share information for 2009 indicates that North Shore had a 1.6 percent market share of loans in low-and moderate-income census tracts placing them 19<sup>th</sup> out of 122 FDIC insured HMDA reporters. North Shore’s market share by dollar amount was higher at 2.0 percent and is similar to North Shore’s overall market share.

The geographic distribution of North Shore’s 42 originated WHEDA loans in the assessment area include 6 in low-income areas (14.3 percent), 11 in moderate-income areas (26.2 percent), 20 middle-income areas (47.6 percent) and 5 in upper-income areas (11.9 percent). Although there are no geographic restrictions to WHEDA lending, the North Shore’s 40.5 percent penetration (17 of 42) of low- and moderate-income areas is well above the institution’s HMDA lending ratios.

We also conducted a review to determine the reasonableness of the institution’s geographic distribution of small business loans within the assessment area, in particular its distribution of loans in low- and moderate-income areas.

The following table shows the number, dollar amount (\$000s excluded) and percentage of small business loans granted by North Shore by the type of census tract as compared to the average lending ratios for small business loan reporters in the assessment area.

<b>Comparison of Small Business Loans By Geography Income Level in the Assessment Area (Dollars in thousands)</b>				
<b>Geography Income Level</b>	<b>North Shore Review Period</b>		<b>Aggregate 2009</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Low	10	3.0	956	4.4
Moderate	42	12.4	2,048	9.5
Middle	172	50.9	9,022	41.8
Upper	112	33.1	9,475	43.9
NA's	2	0.6	83	0.4
<b>Total</b>	<b>338</b>	<b>100.0</b>	<b>21,584</b>	<b>100.0</b>
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Low	\$ 2,132	3.1	\$ 84,708	5.3
Moderate	4,768	6.9	167,931	10.4
Middle	32,496	47.2	690,720	42.9
Upper	28,904	42.0	658,707	41.0
NA's	501	0.7	6,456	0.4
<b>Total</b>	<b>\$68,801</b>	<b>100.0</b>	<b>\$1,608,522</b>	<b>100.0</b>

North Shore’s percentage of small business loans granted in low- and moderate-income census tracts of 15.4 percent was moderately higher than the average lending percentage for small business loan reporters of 13.9 percent.

## **Institution (continued)**

Overall, the institution had adequate penetration within the low- and moderate-income areas of this assessment area.

### **Community Development Lending Activities**

North Shore originated two community development loans totaling \$6.0 million in the Milwaukee-MSA during the review period:

- The institution granted a \$3,120,000 loan secured by 64 HUD (Section 42) rent controlled apartment units located in Port Washington.
- The institution granted a \$2,838,750 loan secured by 60 HUD (Section 42) rent controlled apartment units located in West Bend.

The amount of community development lending in this MSA is reasonable.

### **Innovative or Flexible Lending Practices**

The institution has numerous innovative or flexible lending products and programs that help serve the credit needs of the assessment area, including a loan modification program. While the economic downturn has resulted in a reduction in flexible products there are still many products and programs that are particularly beneficial to low- and moderate-income borrowers. The following is a brief description of several of these products and programs along with lending volumes:

- North Shore is actively involved in several Fannie Mae and Freddie Mac loan programs. One product with a significant volume is the FHLMC Relief Refinance Program which offers streamlined underwriting and up to 125 percent loan to value ratios. This program helps borrowers refinance into homeownership mortgages that better position them for the long term (often at reduced rates). During the review period North Shore originated 123 loans under this program totaling \$18.1 million.
- Beginning in 2009 the institution offered FHA 203(b) loans which are low down payment and low credit score underwriting loans. During the review period North Shore originated 112 loans totaling \$17.0 million.

***Institution (continued)***

- In 2008 two private mortgage insurers provided PMI insurance for North Shore's 5/1 ARM portfolio products that served immigrants and underserved populations with little or no conventional credit histories. These loans are often referred to as Individual Tax Identification Number (ITIN) loans. In 2008 North Shore originated 53 loans under these programs totaling \$8.8 million.
- Beginning in 2010 North Shore created a loan modification program for purposes of foreclosure prevention. This program is designed to provide an alternative to those individuals that need financial assistance and are currently in loan programs that were no longer available. During 2010 the institution made 58 modifications totaling approximately \$5.2 million. North Shore estimates that 90 percent of the modifications occurred in the Milwaukee MSA.
- North Shore has been very active with several WHEDA lending programs throughout the years, although there has been a significant reduction in WHEDA funding during the review period. WHEDA programs assist low- and moderate-income persons in the purchase of a home and to assist first-time homebuyers with limited cash resources with loan rates and fees less than those for conventional loans. There is manual underwriting allowing for greater flexibility. During the review period North Shore originated 48 loans totaling \$4.9 million under the WHEDA "Advantage Program" which offers a fixed rate 97 percent loan to value ratio as well as 105 percent combined loan to value ratio.
- North Shore has several in-house loan programs that are advantageous to low- and moderate-income borrowers or first-time homebuyers with limited cash resources. The institution's five-year CRA adjustable-rate mortgage (ARM) loan product called "Community Advantage" is used when borrowers lack conventional credit scores, credit lines and/or need flexibility and do not qualify for a WHEDA, or conventional loan. During the review period North Shore originated 29 Community Advantage loans totaling \$2.9 million with most originations in 2010.
- North Shore offered Wisconsin Department VA loans during the period with four loans made totaling \$628,350. The program offers 100 percent fixed rate financing with flexible underwriting but Wisconsin is out of funding for this product.

The level of innovative or flexible products is very significant.

## ***Institution (continued)***

### **Investment Test**

North Shore has a very poor level of qualified community development investments and grants in the Milwaukee MSA. The institution made no current period qualifying investments in the Milwaukee MSA. As of 12/31/2010, the institution maintained outstanding principal balances on prior period investments totaling \$269,220. The institution made a total of \$20,537 in qualifying grants during the exam period in the Milwaukee MSA.

### **Investment and Grant Activity**

North Shore has a fully reserved principal balance of \$139,953 on a prior period equity investment relating to a partnership established for the purpose of constructing low-income apartments in Milwaukee.

North Shore has an outstanding principal balance on a prior period investment of \$17,811 relating to partnerships developed for the purpose of rehabbing properties for lower income families. The rehabilitation related to homes in Waukesha County.

North Shore has an outstanding principal balance on a prior period equity investment of \$111,456 that benefits the broader regional area including North Shore's assessment areas. An organization in Wisconsin launched this fund in 2002 and includes participation by many Wisconsin banks. The fund invested in small, high potential businesses in Wisconsin and other states in the Midwest. The fund is in the process of dissolution.

### **Grants and Donations**

During the review period, North Shore made qualifying donations totaling \$20,537 in the Milwaukee MSA. The donations are to community groups and organizations that provide financial and other services to low- and moderate-income individuals and families in the assessment area. They also promote community and small business development in low- and moderate-income areas.

## ***Institution (continued)***

### **Service Test**

#### **Retail Banking Services**

North Shore operates a total of 31 full-service offices in the Milwaukee-Waukesha-West Allis MSA including twenty in Milwaukee County, nine in Waukesha County and two in Ozaukee County. ATMs are available at all locations and there are two off-site ATM's. Seventeen of the ATM's or 51.5 percent feature both English and Spanish as an option.

North Shore's branch offices are distributed across the following geographies: 2 (6.5 percent) in low-income tracts, 2 (6.5 percent) in moderate-income tracts, 15 (48.4 percent) in middle-income tracts and 12 (38.6 percent) in upper-income tracts. Three of the low and moderate-income branches are located in the City of Milwaukee and the other is in Cudahy. The demographics indicate that the Milwaukee MSA consists of 19.0 and 19.9 percent low and moderate-income tracts respectively and consequently the institution's 13.0 percent in these tracts is below demographics.

During the review period North Shore opened two branches and acquired nine branches from the Maritime Savings Bank FDIC assisted acquisition in this assessment area. The new branch locations include one in a low-income census tract and one in a moderate-income census tract. This represents a modest increase in penetration of low- and moderate-income areas within the assessment area. The increase in number of overall branches within the Milwaukee MSA also indicates a general increase in availability of services.

The ATM network is similar to the branch network except that there are two additional off-site ATM's located in low-income census tracts. Overall, North Shore has a marginal distribution of branch offices and ATMs in relation to the geographic distribution of low- and moderate-income census tracts in the area.

All of the offices have similar business hours Mondays through Fridays, and the branches are open until noon or 1:00 p.m. on Saturdays. All of the offices, except one, are equipped with drive-up facilities that have extended business hours on weekdays and Saturdays. Two branches (located in a food store and a mall) are open on Sunday from 10:00 a.m. to 1:00 p.m.

### ***Institution (continued)***

North Shore's telephone banking service, known as Easy Access is available 24 hours a day by dialing a Milwaukee area or toll-free telephone number. With Easy Access, customers can obtain account information about their accounts, such as checking, savings, mortgage loans, and consumer loans. Customers can check their account status, review account activity, transfer money between accounts, and make loan payments from a checking or savings account. In addition, customers can apply for a consumer loan over the telephone or obtain a mortgage loan pre-qualification. Easy Access is available in both English and Spanish.

North Shore's "Online Banking" service is available 24 hours a day by going online to the institution's web site. Online Banking allows customers to access their deposit and loan accounts to check their account status, review account activity, transfer money between accounts, and make loan payments from a checking or savings account. In addition, they can reorder checks, request a new debit card, and report lost debit card information. With Online Banking, customers can transfer money from their North Shore home equity lines of credit to one of their checking or savings accounts. Customers are also able to download their checking and savings account histories to their personal computers. Mortgage and consumer loan applications can be completed and submitted with Online Banking.

Other alternative delivery systems include direct deposit, banking by mail, 24-hour night depositories, wire transfer services, and automatic bill payment services.

North Shore offers a wide variety of loan products, including ones tailored to low- and moderate-income individuals and families in the community. Lending personnel are available at the main office and all branch offices to assist customers with applications for consumer and mortgage loan products. In the Milwaukee MSA, North Shore employs African American and Hispanic community loan officers to assist customers of various ethnicities and nationalities with their lending needs and they provide assistance in English or Spanish.

### **Community Development Services**

North Shore's management and personnel provide an excellent level of community development service through a variety of initiatives providing technical assistance on financial, business and lending-related matters to various community development and community service organizations as well as through programmatic efforts to serve the un- and under-banked and immigrant communities in the Milwaukee MSA.

***Institution (continued)***

North Shore management and personnel served on a variety of non-profit community development boards of directors whose agencies provide services benefiting low- and moderate-income individuals and families or support small businesses in low- and moderate-income areas. All of the individuals in the examples below served during the entire three year review period. Examples of employees' involvement in these community development services are as follows:

- An employee is the Chair for the Board of a non-profit housing organization that strives to create homeownership opportunities for low- and moderate-income residents of Milwaukee with an estimated time commitment of three hours bi-monthly (18 hours annualized; 54 hours for review period).
- An employee is a Board member of a homeownership counseling education consortium that teaches employees of non-profit counseling agencies how to counsel. This individual also assists in teaching the course twice a year with an estimated time commitment of three hours quarterly (12 hours annually).
- One employee is a Board member of a lending consortium which promotes homeownership counseling with an estimated time commitment of three hours quarterly (12 hours annually).
- An employee is a Board member of a coalition that searches for ways to increase housing opportunities for low- and moderate-income people in southeastern Wisconsin with an estimated time commitment of three hours quarterly (12 hours annually).
- An employee is a Board member of a local action committee that seeks to curb predatory lending practices in the Milwaukee area with an estimated time commitment of three hours quarterly (12 hours annually).
- An employee is the Secretary/Treasurer for a non-profit, grass roots organization that repairs the homes of low-income elderly and disabled homeowners with an estimated time commitment of three hours bi-monthly (18 hours annually).
- An employee serves on the Loan Committee of the local chapter of a national non-profit organization that creates homeownership opportunities for low- and moderate-income residents in low- and moderate-income areas of Milwaukee with an estimated time commitment of two hours monthly (24 hours annually).

***Institution (continued)***

- An employee serves on the Loan Products Committee of a coalition task force serving low- and moderate-income areas of Milwaukee with an estimated time commitment of three hours quarterly (12 hours annually).
- An employee serves as a member of a local roundtable that focuses on issues facing the Hispanic community with emphasis on low- and moderate-income residents and areas with an estimated time commitment of two hours monthly (24 hours annually).
- Three employees provide technical assistance and lending expertise to a WHEDA program designed to select properties for rehabilitation or redevelopment within the low-income Lindsay Heights area of Milwaukee which is targeted for redevelopment with an estimated time commitment of three hours quarterly (12 hours annually).
- An employee serves on the Board of Directors that focuses on the development of inner-city neighborhoods in the City of Milwaukee. There is technical assistance and lending expertise provided for the purpose of providing affordable housing to low- and moderate-income families with an estimated time commitment of three hours quarterly (12 hours annually).

During the review period North Shore successfully submitted applications to the FHLB of Chicago's Affordable Housing Program. The purpose of the grants is to provide down payment and closing cost assistance to low- and moderate-income homebuyers in the assessment area. During the review period North Shore assisted approximately 40 borrowers in obtaining grants totaling \$198,900.

North Shore successfully submitted applications for the FHLB of Chicago's Downpayment Plus program administered by the Wisconsin Partnership for Housing Development Inc. (WPHD). This program provides down payment and closing cost assistance to low and moderate-income households that receive mortgage financing through a FHLB member. The assistance is in the form of a forgivable loan over a five year period with a maximum loan of \$6,000. During the review period North Shore assisted 12 borrowers in obtaining grants totaling \$48,000.

The WPHD is an administrator of the Home Consortium Program whose main purpose is to advance home ownership opportunities with a zero percent deferred down payment assistance program eligible to low and moderate-income borrowers. During the review period North Shore assisted two borrowers in obtaining grants totaling \$10,000.

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***Institution (continued)***

During the review period, North Shore personnel conducted 26 residential homebuyer seminars in the Milwaukee MSA. The seminars, offered in English and Spanish, include two sessions covering credit, budgeting, loan programs and home purchasing with many low- and moderate-income people in attendance.

North Shore is providing services to the un-banked through several programs described below:

- In 2010 North Shore assisted in the creation of The Alliance for Economic Inclusion (AEI) which is the FDIC's national initiative to establish broad based coalitions of financial institutions, community organizations and other partners in several markets across the country to bring unbanked and underserved populations into the financial mainstream. The focus is on expanding basic retail financial services for underserved populations, including savings accounts, affordable remittance products, small-dollar loan programs, targeted financial education programs, alternative delivery channels and other asset-building programs. The organization will be launching services to the Milwaukee area in 2011.
- In 2010, North Shore Bank worked with the Social Development Commission (SDC). The SDC provides human service programs for low-income individuals and families in Milwaukee County. The institution partnered with SDC in the administration its Volunteer Income Tax Assistance Program sites at which volunteers assist low- and moderate-income families apply for the Earned Income Tax Credit. North Shore was on site weekly, January through April 15, to work with participants on opening a new checking or savings account for their refunds. There were two sites with North Shore personnel present for four hours daily at one site and eight hours daily at the other with total time estimated at 120 hours. North Shore also worked with SDC's transitional job program providing monthly presentations on how a checking account works, how to avoid fees, how to use your debit card, etc.
- In September 2009 North Shore opened an in-school branch, "North Shore Grant Bank," at Grant Elementary School, a public school on Milwaukee's south side located in a moderate-income census tract. Seventh and eighth graders assist in staffing with the intent of helping young students develop financial skills. The branch is open a few hours per week and parents, teachers and students can use the bank to open accounts, make deposits and withdrawals and there is only a \$1 minimum deposit required. Also, North Shore staff provides periodic classroom instruction on financial literacy topics including managing an allowance, developing financial goals and budgets, understanding bank services and managing debt. The institution has opened nearly 100 accounts.

***Institution (continued)***

- North Shore Bank is an approved IRS Acceptance Agent that provides assistance to individuals that do not qualify for a Social Security Number to obtain an Individual Taxpayer Identification Number (ITIN) from the Internal Revenue Service. To qualify for an ITIN the individual must have a qualifying reason and have an interest-bearing deposit account open at the time of the application. To assist those that might not be able to meet minimum deposit account requirements North Shore offers a “no minimum balance” savings account with a small \$25 opening requirement but no minimum balance requirement after the initial opening. There is no monthly maintenance fee; however, there is a charge of \$1 per withdrawal. North Shore is processing approximately ten to twenty applications per month.
- North Shore participates in a local Milwaukee Hispanic radio show three Saturdays each month that includes discussing bank related topics including availability of loan and deposit products. The station is the first ever Spanish speaking FM radio station in Milwaukee. A review of the topics covered during the shows include; grants for first time homebuyers, FHA/WHEDA and other lending products; discussions of programs within the City of Milwaukee; business account discussions; and deposit account discussions. This is a positive service test factor as North Shore is using electronic media to spread financial literacy.
- North Shore is a participating financial institution with the “Get Checking” program designed for individuals who do not have an account with a financial institution or have had problems maintaining an account. The program provides credit counseling/training on account management and individuals become eligible to open a low-cost checking account regardless of their past credit history. New accounts opened in the last two years approximated 15 accounts per year.
- The institution also offers a “Build Your Credit Loan,” which is specifically designed to help people with no credit, or those with poor credit, establish a positive credit history. The structure of this product is similar to a loan as the individual “borrows” money and the funds placed into a certificate of deposit for the same length as the loan. After the individual has made all of the monthly payments, North Shore reports the payment history to the credit bureau, thus creating an improved credit history. North Shore opened 49 loans/accounts averaging \$1,271 during the review period.

***Institution (continued)***

**Description of Institution's Operations in Racine MSA**

North Shore designated Racine County as an assessment area, which is the only county in the MSA.

According to the 2000 Census Bureau data, the Racine MSA has a population of 188,831 which includes 70,796 households and 50,052 families. There are 74,718 housing units of which 49,998, or 66.9, percent are owner-occupied housing units (OOHU's). Multifamily units are significant, totaling 14.9 percent of all housing units and vacant units totaled 5.2 percent. Also significant is the 7.6 percent of households that are below poverty level. Unemployment is at historically high levels with the December 2010 unemployment rate in Racine County at 8.5 percent.

The following table summarizes the income level of the various census tracts within the assessment area, as well as the number and percentage of OOHU's within those tracts and the number and percentage of families by income level.

Tract or Family Income	Census Tract's		OOHU's		Families	
	Number	Percent	Number	Percent	Number	Percent
Low	3	7.7	1,712	3.4	8,922	17.8
Moderate	5	12.8	3,297	6.6	9,241	18.5
Middle	25	64.1	35,777	71.6	12,877	25.7
Upper	6	15.4	9,212	18.4	19,012	38.0
<b>Totals</b>	<b>39</b>	<b>100.0</b>	<b>49,998</b>	<b>100.0</b>	<b>50,052</b>	<b>100.0</b>

The above table reveals the relative lack of OOHU's within both the low and moderate-income tracts of the assessment area. Although low-income tracts represent 7.7 percent of the tracts within the assessment area, the number of OOHU's within those tracts is only 3.4 percent of total OOHU's. Additionally, moderate-income tracts represent 12.8 percent of the tracts within the assessment area, but the number of OOHU's within those tracts is only 6.6 percent.

There are adequate lending opportunities in the assessment area with HMDA reportable loans for all FDIC insured financial institutions totaling 6,687 in 2009. During this year, conventional home purchase loans totaled 10.8 percent of reported loans, while the remaining loan types included 79.8 percent refinance, 6.1 percent government insured home purchase, and 3.3 percent home improvement. Based on most recent available data, the weighted average of median housing for the assessment area was \$113,119.

***Institution (continued)***

**Conclusions with Respect to Performance Tests in Racine MSA**

**Lending Test**

**Overall Lending Activities**

North Shore originated 435 HMDA reportable loans totaling \$68.9 million in the Racine MSA during 2008 through 2010, as well as one WHEDA loan totaling \$97,900. North Shore also granted 26 small business loans totaling \$3.7 million.

The 2009 (most recent year available) HMDA market share report for FDIC insured institutions indicates North Shore had a 2.8 percent market share, by number, with a ranking of 9th out of 136 institutions. In comparison, the institution had a deposit market share of 5.1 percent on June 30, 2010. Overall lending penetration is acceptable within this assessment area.

**Lending to Borrowers of Different Income Levels and Businesses of Different Sizes**

The following table shows North Shore’s overall borrower distribution of HMDA reportable loans made during the review period in the Racine MSA and compares this activity to the 2009 aggregate lending averages in the assessment area.

<b>Comparison of HMDA Loans By Borrower Income Level in the Assessment Area (Dollars in thousands)</b>				
<b>Borrower Income Level</b>	<b>North Shore</b>		<b>Aggregate</b>	
	<b>2008 - 2010</b>		<b>2009</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Low	42	9.7	510	7.7
Moderate	91	20.9	1,333	19.9
Middle	124	28.5	1,652	24.7
Upper	164	37.7	2,570	38.4
Income NA	14	3.2	622	9.3
<b>Total</b>	<b>435</b>	<b>100.0</b>	<b>6,687</b>	<b>100.0</b>
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Low	\$3,069	4.5	\$47,798	4.5
Moderate	9,306	13.5	157,197	14.7
Middle	17,492	25.4	243,912	22.7
Upper	32,703	47.5	511,084	47.7
Income NA	6,280	9.1	112,106	10.4
<b>Total</b>	<b>\$68,850</b>	<b>100.0</b>	<b>\$1,072,197</b>	<b>100.0</b>

***Institution (continued)***

The data indicates that after adjusting for incomes not available, North Shore originated 9.7 percent of its loans to low-income borrowers and 20.9 percent to moderate-income borrowers. Aggregate data indicates FDIC insured lenders, after adjusting for NA's, originated 8.4 percent to low-income borrowers and 22.0 percent to moderate-income borrowers. North Shore's lending to low-income borrowers is moderately above the aggregate level and combined, North Shore's level of 31.6 percent to low and moderate-income borrowers is slightly above the aggregate level of 30.4 percent.

North Shore's performance in relation to the percentage of families by income category is good. There are 36.3 percent of low-income (17.8 percent) and moderate-income (15.5 percent) families living in assessment area, respectively, therefore the ratio of North Shore's lending does not compare favorably in the low income category but is above the moderate-income family demographics (21.6 percent vs. 18.5 percent). Although the percentage of mortgage loans originated to low-income borrowers is below the representation of such families in the population, 7.6 percent of households are below poverty level, and income restraints on the low-income segment make purchase of homes much more difficult.

North Shore originated one WHEDA loan to a moderate-income borrower.

We conducted a review of small business lending to determine the reasonableness of the institution's lending based on loan size as well as level of lending to small businesses.

The following table shows the distribution of North Shore's small business originations in the assessment area, based on loan origination amount, for the three-year review.

<b>Distribution of Small Business Loans by Dollar Amount In Assessment Area (Dollars in thousands)</b>		
<b>Loan Amount at Origination</b>	<b>North Shore</b>	
	<b>2008 - 2010</b>	
	<b>Number</b>	<b>Percent</b>
\$100,000 or Less	15	57.7
\$100,001 - \$250,000	6	23.1
\$250,001 - \$1 million	5	19.2
<b>Total</b>	<b>26</b>	<b>100.0</b>
	<b>Amount</b>	<b>Percent</b>
\$100,000 or Less	\$ 575	1.1
\$100,001 - \$250,000	895	1.7
\$250,001 - \$1 million	52,269	97.2
<b>Total</b>	<b>\$53,739</b>	<b>100.0</b>

***Institution (continued)***

The institution’s 80.8 percent of loans in amounts of \$250,000 or less is reasonable. By dollar amount, North Shore’s percentage of 2.8 percent is low. North Shore made 15 of 26, or 57.7 percent of its loans to businesses with gross annual revenues of \$1 million or less, which indicates a good ratio of loans to small businesses.

Overall, North Shore’s lending by borrower income and its small business lending by loan size and to small businesses in this assessment area was reasonable.

**Geographic Distribution of Loans**

The following table shows North Shore’s overall geographic distribution of HMDA reportable loans for the three year review period in the Racine MSA and compares this activity to the aggregate lending 2009 (most current year available).

Comparison of HMDA Loans By Geography Income Level in the Assessment Area (Dollars in thousands)				
Geography Income Level	North Shore 2008 - 2010		Aggregate 2009	
	Number	Percent	Number	Percent
Low	5	1.2	64	1.0
Moderate	15	3.4	275	4.1
Middle	330	75.9	4,717	70.5
Upper	85	19.5	1,631	24.4
<b>Total</b>	<b>435</b>	<b>100.0</b>	<b>6,687</b>	<b>100.0</b>
	Amount	Percent	Amount	Percent
Low	\$ 334	0.5	\$ 6,784	0.6
Moderate	2,729	4.0	39,569	3.7
Middle	48,463	70.4	726,023	67.7
Upper	17,324	25.1	299,721	28.0
<b>Total</b>	<b>\$68,850</b>	<b>100.0</b>	<b>\$1,072,097</b>	<b>100.0</b>

The data indicates that North Shore originated 1.2 percent of its loans in low-income tracts and 3.4 percent in moderate-income tracts. Aggregate data indicates FDIC insured lenders originated 1.0 percent in low-income tracts and 4.1 percent in moderate-income tracts. North Shore’s lending in low-income areas is slightly above aggregate levels, however, when combined, North Shore’s level of 4.6 percent in low- and moderate-income areas is moderately below the 5.1 percent aggregate ratio.

### ***Institution (continued)***

North Shore's performance in relation to the percent of owner occupied housing units (OOHU's) by census tract is adequate. The percent of OOHU's in low-income tracts is 3.4 percent and in moderate-income tracts is 6.6 percent. Consequently, combined North Shore's 4.6 percent of loans in low and moderate-income tracts is well below the 10.0 percent of OOHU's within those tracts.

North Shore's one WHEDA loan was located in a middle-income tract.

We also conducted a review to determine the reasonableness of the institution's geographic distribution of North Shore's 26 small business loans within the assessment area, in particular its distribution of loans in low- and moderate-income areas. North Shore had no loans in low or moderate- tracts with 22 (84.6 percent) originated in middle-income tracts and four (15.4 percent) in upper-income tracts.

Overall, the institution exhibited adequate penetration within the low- and moderate-income areas of this assessment area.

### ***Innovative or Flexible Lending Practices***

North Shore's innovative or flexible lending products offered in the assessment area are the same as those offered in the Milwaukee MSA, except for the loan programs that are specific to a certain geographic area.

### **Investment Test**

North Shore's investments in the Racine MSA total \$9,573 which includes \$9,023 at December 31, 2010 in qualifying equity investments and \$550 in qualifying donations made during the review period. The level of investments is poor.

The qualifying investment is managed by a community organization and is part of an investment pool for low- and moderate-income housing within the Racine MSA.

## ***Institution (continued)***

### **Service Test**

#### **Retail Banking Services**

North Shore operates a total of five full-service offices in the Racine MSA. One branch (20.0 percent) is located in a moderate-income tract, three are in middle-income tracts and one is in an upper-income tract. ATMs are available at all locations and all of the ATM's feature both English and Spanish as an option. The 20.0 percent of branches in low and moderate income areas is comparable to the 20.5 percent of census tracts within the MSA that are low and moderate-income.

The ATM network is similar to the branch network except that there are two additional off-site ATM's located in low-income census tracts. Overall, North Shore has an adequate distribution of branch offices and ATMs in relation to the geographic distribution of low- and moderate-income census tracts in the area.

The branch offices have similar business hours Mondays through Fridays and are open until noon on Saturdays. All of the offices are equipped with drive-up facilities that have extended business hours on weekdays and regular hours on Saturdays.

The institution's alternative delivery systems in this assessment area are the same as those available in the Milwaukee MSA. Lending personnel are available at all branch offices in the assessment area to assist customers with applications for mortgage and consumer loan products.

#### **Community Development Services**

North Shore's management and personnel provide technical assistance on financial, business and lending-related matters to various community development and community service organizations serving the Racine MSA including:

- An employee throughout the three year period has been on the Board of an organization that focuses on the development of inner city neighborhoods in Racine. There is technical assistance and lending expertise provided with an estimated time commitment of three hours quarterly (12 hours annually; 36 hours for review period).

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***Institution (continued)***

During the review period North Shore successfully submitted applications to the FHLB of Chicago's Affordable Housing Program assisting five borrowers in obtaining grants totaling \$19,000. Also, North Shore successfully submitted applications for the FHLB of Chicago's Downpayment Plus program administered by the Wisconsin Partnership for Housing Development Inc. (WPHD) assisting four borrowers in obtaining grants totaling \$16,000.

During the review period, North Shore personnel conducted one residential homebuyer seminar in the Racine MSA.

North Shore has numerous community development services available in the assessment area including the following: processing applications as an approved IRS Acceptance Agent for individuals to obtain an ITIN as well as offer other services to these individuals; offering a checking program designed for individuals who have no accounts or prior problems maintaining an account that includes a credit counseling component; offering a loan/deposit program designed to help people with no or poor credit establish a positive credit history; and providing FHLMC homebuyer education and counseling services to respective applicants. There is a detailed description of these services included in the Milwaukee MSA section of this report.

**Description of Institution's Operations in Green Bay MSA**

North Shore has designated Brown County as an assessment area. Brown County is one of three counties in the Green Bay MSA. North Shore's use of a portion of the entire MSA is acceptable.

According to the 2000 Census Bureau data, Brown County has a population of 226,778 which includes 87,356 households and 57,892 families. There are 90,199 housing units of which 57,134, or 63.3, percent are OOHU's. Multifamily units are significant, totaling 17.1 percent of all housing units and vacant units totaled 3.2 percent. Also significant is the 7.0 percent of households that are below poverty level. Unemployment is at historically high levels with the December 2010 unemployment rate in Brown County at 6.3 percent.

The following table summarizes the income level of the various census tracts within the assessment area, as well as the number and percentage of OOHU's within those tracts and the number and percentage of families by income level.

***Institution (continued)***

Tract or Family Income	Census Tract's		OOHU's		Families	
	Number	Percent	Number	Percent	Number	Percent
Low	0	0.0	0	0.0	9,054	15.6
Moderate	9	18.0	5,457	9.4	10,459	18.1
Middle	32	64.0	37,687	65.6	15,499	26.8
Upper	8	16.0	13,990	25.0	22,880	39.5
<b>Totals</b>	<b>*49</b>	<b>100.0</b>	<b>57,134</b>	<b>100.0</b>	<b>57,892</b>	<b>100.0</b>

\* Excludes one "NA" tract with low population and very few housing units.

The above table reveals the relative lack of OOHU's within moderate-income tracts as these tracts represent 18.0 percent of the tracts within the assessment area compared to the ratio of OOHU's within those tracts of 9.4 percent.

There are adequate lending opportunities in the assessment area with HMDA reportable loans for all FDIC insured financial institutions totaling 9,865 in 2009. During this year, conventional home purchase loans represented 12.1 percent of reported loans, while the remaining loan types included 80.7 percent refinance, 6.0 percent government insured home purchase, and 1.2 percent home improvement. Based on most recent available data, the weighted average of median housing for the assessment area was \$116,157.

**Conclusions with Respect to Performance Tests in Green Bay MSA**

**Lending Test**

**Overall Lending Activities**

North Shore originated 374 HMDA reportable loans totaling \$77.1 million in Brown County during 2008 through 2010, as well as six WHEDA loan totaling \$606,700. North Shore also granted 53 small business loans totaling \$11.0 million.

The 2009 (most recent year available) HMDA market share report for FDIC insured institutions indicates North Shore had a 1.2 percent market share, by number, with a ranking of 20th out of 210 institutions. In comparison North Shore had a deposit market share of 1.5 percent on June 30, 2010. Overall lending penetration is reasonable within this assessment area.

***Institution (continued)***

***Lending to Borrowers of Different Income Levels and Businesses of Different Sizes***

The following table shows North Shore’s overall borrower distribution of HMDA reportable loans made during the review period in the assessment area and compares this activity to the 2009 aggregate lending averages in the assessment area.

<b>Comparison of HMDA Loans By Borrower Income Level in the Assessment Area (Dollars in thousands)</b>				
<b>Borrower Income Level</b>	<b>North Shore</b>		<b>Aggregate</b>	
	<b>2008 - 2010</b>		<b>2009</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Low	31	8.3	766	7.8
Moderate	83	22.2	1,954	19.8
Middle	105	28.1	2,454	24.9
Upper	127	33.9	3,655	37.0
Income NA	28	7.5	1,036	10.5
<b>Total</b>	<b>374</b>	<b>100.0</b>	<b>9,865</b>	<b>100.0</b>
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Low	\$2,693	3.5	\$67,429	4.5
Moderate	8,087	10.5	215,522	14.4
Middle	11,938	15.5	328,681	22.0
Upper	21,174	27.4	690,654	46.2
Income NA	33,233	43.1	193,972	12.9
<b>Total</b>	<b>\$77,125</b>	<b>100.0</b>	<b>\$1,496,258</b>	<b>100.0</b>

The data indicates that for the 346 loans where borrower income is available North Shore originated 9.0 percent to low-income borrowers and 24.0 percent to moderate-income borrowers. Aggregate data indicates FDIC insured lenders, after adjusting for NA’s, originated 8.7 percent to low-income borrowers and 22.1 percent to moderate-income borrowers. Combined, North Shore’s level of 33.0 percent to low and moderate-income borrowers is slightly above the aggregate level of 30.8 percent.

North Shore’s performance in relation to the percentage of families by income category is good. There are 33.7 percent of low-income (15.6 percent) and moderate-income (18.1 percent) families living in assessment area, respectively. North Shore’s lending does not compare favorably in the low-income category but is above the moderate-income family demographics (24.0 percent vs. 18.1 percent). Although the percentage of mortgage loans originated to low-income borrowers is below the representation of such families in the population, 7.0 percent of households are below poverty level, and income restraints on the low-income segment make purchase of homes much more difficult.

***Institution (continued)***

North Shore originated six WHEDA loans including one to a low-income borrower and five to moderate-income borrowers, indicating excellent distribution.

We conducted a review of small business lending to determine the reasonableness of the institution’s lending based on loan size as well as level of lending to small businesses.

The following table shows the distribution of North Shore’s small business originations in the assessment area, based on loan origination amount, for the three-year review.

Distribution of Small Business Loans by Dollar Amount In Assessment Area (Dollars in thousands)		
Loan Amount at Origination	North Shore 2008 - 2010	
	Number	Percent
\$100,000 or Less	21	39.6
\$100,001 - \$250,000	19	35.9
\$250,001 - \$1 million	13	24.5
<b>Total</b>	<b>53</b>	<b>100.0</b>
	Amount	Percent
\$100,000 or Less	\$ 680	6.2
\$100,001 - \$250,000	3,513	32.0
\$250,001 - \$1 million	6,792	61.8
<b>Total</b>	<b>\$10,985</b>	<b>100.0</b>

The institution’s 75.5 percent of loans in amounts of \$250,000 or less is reasonable. North Shore made 41 of its 53 loans, or 77.4 percent to businesses with gross annual revenues of \$1 million or less, which indicates a good ratio of loans to small businesses.

Overall, North Shore’s distribution of HMDA lending by borrower income is good and reasonable of small business lending by loan size and to small businesses in this assessment area.

***Institution (continued)***

**Geographic Distribution of Loans**

The following table shows North Shore’s overall geographic distribution of HMDA reportable loans for the three year review period and compares this activity to 2009 aggregate lending (most current year available).

<b>Comparison of HMDA Loans By Geography Income Level in the Assessment Area (Dollars in thousands)</b>				
<b>Geography Income Level</b>	<b>North Shore 2008 - 2010</b>		<b>Aggregate 2009</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
	Low	0	0.0	0
Moderate	19	5.1	453	4.6
Middle	245	65.5	6,378	64.6
Upper	110	29.4	3,034	30.8
<b>Total</b>	<b>374</b>	<b>100.0</b>	<b>9,865</b>	<b>100.0</b>
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Low	\$ 0	0.0	\$ 0	0.0
Moderate	10,214	13.2	45,512	3.0
Middle	49,032	63.6	929,717	62.2
Upper	17,879	23.2	521,029	34.8
<b>Total</b>	<b>\$77,125</b>	<b>100.0</b>	<b>\$1,450,746</b>	<b>100.0</b>

The data indicates that North Shore originated 5.1 percent of its loans in moderate-income tracts which is moderately above the aggregate FDIC insured lenders ratio of 4.6 percent in these tracts.

North Shore’s performance in relation to the percent of OOHU’s in moderate-income census tracts is adequate. The percent of OOHU’s in moderate-income tracts is 9.6. North Shore’s ratio of 5.1 percent lending in these tracts is significantly below this demographic.

One of the six (16.7 percent) WHEDA loans was located in a moderate income tract with five located in middle and upper-income tracts.

We reviewed the reasonableness of the institution’s geographic distribution of North Shore’s 53 small business loans within the assessment area, in particular its distribution in moderate-income areas. North Shore originated eight (15.1 percent) of its small business loans in moderate income tracts, with 33 located in middle-income tracts and 12 in upper-income tracts, indicating good distribution.

Overall, the institution had adequate penetration within the moderate-income areas of this assessment area.

## ***Institution (continued)***

### ***Innovative or Flexible Lending Practices***

North Shore's innovative or flexible lending products offered in the assessment area are the same as those offered in the Milwaukee MSA, except for the loan programs that are specific to a certain geographic area.

### **Investment Test**

North Shore only made qualifying donations totaling \$150 in Brown County.

### **Service Test**

#### ***Retail Banking Services***

North Shore operates a total of seven full service offices in Brown County, all located in middle-income tracts. ATMs are available at all locations and three of the ATM's features both English and Spanish as an option. With no branches in moderate-income tracts the institution's distribution is below census tract demographics.

Two of the seven branches in the Green Bay assessment area are located inside supermarkets. These branches, as well as two other branches have greatly expanded hours that give customers added convenience and flexibility with regard to their banking needs. The hours of operation for the four expanded hour branches are from 9:00 a.m. to 6:00 p.m. Monday through Wednesday, from 9:00 a.m. to 7:00 pm Thursday and Friday, from 9:00 a.m. to 3:00 p.m. on Saturday, and from 10:00 a.m. to 1:00 p.m. on Sundays. Two of the supermarket branches have drive-up facilities, an unusual feature for this type of office. These drive-ups have the same hours as the branches.

The three traditional branch offices have similar business hours Mondays through Thursdays from 9:00 a.m. to 5:00 p.m., from 9:00 to 6:00 p.m. on Fridays, and from 9:00 a.m. until noon on Saturdays. All of the offices are equipped with drive-up facilities that have one hour of extended time on weekdays.

The institution's alternative delivery systems in this assessment area are the same as those available in the Milwaukee MSA. Lending personnel are available at all branch offices in the assessment area to assist customers with applications for mortgage and consumer loan products. In addition, North Shore employs a bilingual (Spanish) loan officer in Green Bay. This employee is also a personal banker, which allows her to open checking and savings accounts as well.

## ***Institution (continued)***

### **Community Development Services**

North Shore has numerous community development services available in the assessment area including the following: processing applications as an approved IRS Acceptance Agent for individuals to obtain an ITIN as well as offer other services to these individuals; offering a checking program designed for individuals who have no accounts or prior problems maintaining an account that includes a credit counseling component; offering a loan/deposit program designed to help people with no or poor credit establish a positive credit history; and providing FHLMC homebuyer education and counseling services to respective applicants. There is a detailed description of these services included in the Milwaukee MSA section of this report.

### **Description of Institution's Operations in Wisconsin Non-MSA Areas**

North Shore has designated Door County (a non-MSA County) as an assessment area.

According to the 2000 Census Bureau data, Door County has a population of 27,961 which includes 11,811 households and 7,991 families. There are 19,587 housing units of which 9,381, or 47.9, percent are OOHU's. Vacant housing is very significant with 7,759 units vacant, or 39.6 percent of all housing units. Also significant is the 6.7 percent of households that are below poverty level. Unemployment is at historically high levels with the December 2010 unemployment rate in Door County at 10.9 percent.

***Institution (continued)***

The following table summarizes the income level of the various census tracts within the assessment area, as well as the number and percentage of owner occupied housing units (OOHU's) within those tracts and the number and percentage of families by income level.

Tract or Family Income	Census Tract's		OOHU's		Families	
	Number	Percent	Number	Percent	Number	Percent
Low	0	0.0	0	0.0	1,271	15.9
Moderate	0	0.0	0	0.0	1,474	18.4
Middle	9	100.0	9,381	100.0	2,061	25.8
Upper	0	0.0	0	0.0	3,185	39.9
<b>Totals</b>	<b>9</b>	<b>100.0</b>	<b>9,381</b>	<b>100.0</b>	<b>7,991</b>	<b>100.0</b>

There are adequate lending opportunities in the assessment area with HMDA reportable loans for all FDIC insured financial institutions totaling 1,725 in 2009. During this year, conventional home purchase loans represented 14.5 percent of reported loans, while the remaining loan types included 82.6 percent refinance, 1.0 percent government insured home purchase, and 1.9 percent home improvement. Based on most recent available data, the weighted average of median housing for the assessment area was \$141,305.

**Conclusions with Respect to Performance Tests in Wisconsin Non-MSA Area**

**Lending Test**

**Overall Lending Activities**

North Shore originated 453 HMDA reportable loans totaling \$78.3 million in Door County during 2008 through 2010. North Shore also granted 23 small business loans totaling \$11.0 million.

The 2009 HMDA market share report for FDIC insured institutions indicates that North Shore had an 11.3 percent market share, by number, ranking the institution 2<sup>nd</sup> out of 179 institutions. In comparison, North Shore also had a high deposit market share of 10.4 percent on June 30, 2010. This represents an excellent lending penetration within the institution's assessment area.

***Institution (continued)***

***Lending to Borrowers of Different Income Levels and Businesses of Different Sizes***

The following table shows North Shore’s overall borrower distribution of HMDA reportable loans made during the review period within Door County and compares this activity to the 2009 aggregate lending averages in the assessment area.

<b>Comparison of HMDA Loans By Borrower Income Level in the Assessment Area (Dollars in thousands)</b>				
<b>Borrower Income Level</b>	<b>North Shore</b>		<b>Aggregate</b>	
	<b>2008 - 2010</b>		<b>2009</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Low	18	4.0	66	3.8
Moderate	71	15.7	221	12.8
Middle	89	19.6	311	18.0
Upper	270	59.6	1,024	59.4
Income NA	5	1.1	103	6.0
<b>Total</b>	<b>453</b>	<b>100.0</b>	<b>1,725</b>	<b>100.0</b>
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Low	\$1,333	1.7	\$ 5,120	1.5
Moderate	8,247	10.5	25,991	7.7
Middle	12,201	15.6	45,099	13.3
Upper	53,730	68.6	241,637	71.3
Income NA	2,776	3.6	21,213	6.2
<b>Total</b>	<b>\$78,287</b>	<b>100.0</b>	<b>\$339,060</b>	<b>100.0</b>

The data indicates that for the 448 loans where borrower income is available North Shore originated 4.0 percent to low-income borrowers and 15.9 percent to moderate-income borrowers. Aggregate data indicates FDIC insured lenders, after adjusting for NA’s, originated 4.1 percent to low-income borrowers and 13.6 percent to moderate-income borrowers. Combined, North Shore’s level of 19.9 percent to low and moderate-income borrowers is moderately above the aggregate level of 17.7 percent.

North Shore’s performance in relation to the percentage of families by income category in the assessment area is adequate. 15.9 percent of families living in the assessment area are low-income and 18.4 percent are moderate income. North Shore’s lending does not compare favorably in the low-income category and is below the moderate-income family demographics. Although the percentage of mortgage loans originated to low-income borrowers is below the representation of such families in the population, 6.7 percent of households are below poverty level, and income restraints on the low-income segment make purchase of homes much more difficult.

***Institution (continued)***

We conducted a review of small business lending to determine the reasonableness of the institution’s lending based on loan size as well as level of lending to small businesses.

The following table shows the distribution of North Shore’s small business originations in the assessment area, based on loan origination amount, for the three-year review.

<b>Distribution of Small Business Loans by Dollar Amount In Assessment Area (Dollars in thousands)</b>		
<b>Loan Amount at Origination</b>	<b>North Shore</b>	
	<b>2008 - 2010</b>	
	<b>Number</b>	<b>Percent</b>
\$100,000 or Less	17	54.8
\$100,001 - \$250,000	10	32.3
\$250,001 - \$1 million	4	12.9
<b>Total</b>	<b>31</b>	<b>100.0</b>
	<b>Amount</b>	<b>Percent</b>
\$100,000 or Less	\$ 767	18.1
\$100,001 - \$250,000	1,775	42.0
\$250,001 - \$1 million	1,686	39.9
<b>Total</b>	<b>\$4,228</b>	<b>100.0</b>

The institution’s 87.1 percent of loans in amounts of \$250,000 or less is reasonable. North Shore made all of its loans to businesses with gross annual revenues of \$1 million or less indicating an excellent ratio of loans to small businesses.

Overall, North Shore’s had an adequate distribution of HMDA lending by borrower income and had good small business lending by loan size and to small businesses in this assessment area.

**Geographic Distribution of Loans**

Since all of the tracts in the assessment area are middle-income, a geographic distribution of loans is not meaningful.

**Innovative or Flexible Lending Practices**

North Shore’s innovative or flexible lending products offered in the assessment area are the same as those offered in the Milwaukee MSA, except for the loan programs that are specific to a certain geographic area.

## ***Institution (continued)***

### **Investment Test**

North Shore has no qualifying investments in this assessment area.

### **Service Test**

#### **Retail Banking Services**

North Shore operates three full-service offices located in middle-income census tracts in Door County with drive up facilities and ATMs at each office.

The branch offices have regular business hours Mondays through Fridays and are open until noon on Saturdays. The drive-up facilities have slightly extended business hours on weekdays.

The institution's alternative delivery systems in this assessment area are the same as those available in the Milwaukee MSA. Lending personnel are available at all branch offices in the assessment area to assist customers with applications for mortgage and consumer loan products.

#### **Community Development Services**

North Shore has numerous community development services available in the assessment area including the following: processing applications as an approved IRS Acceptance Agent for individuals to obtain an ITIN as well as offer other services to these individuals; offering a checking program designed for individuals who have no accounts or prior problems maintaining an account that includes a credit counseling component; offering a loan/deposit program designed to help people with no or poor credit establish a positive credit history; and providing FHLMC homebuyer education and counseling services to respective applicants. There is a detailed description of these services included in the Milwaukee MSA section of this report.

***Institution (continued)***

**Description of Institution's Operations in Lake County Kenosha County MD**

North Shore has designated Kenosha County an assessment area. Kenosha County, Wisconsin and Lake County, Illinois form the Lake County-Kenosha County Metropolitan District (MD).

According to the 2000 Census Bureau data, Kenosha County has a population of 149,577 which includes 56,093 households and 38,671 families. There are 59,989 housing units of which 38,733, or 64.6, percent are OOHU's. Multifamily units are significant, totaling 14.9 percent of all housing units and vacant units totaled 6.6 percent. Also significant is the 7.3 percent of households that are below poverty level. Unemployment is at historically high levels with the December 2010 unemployment rate in Kenosha County at 9.1 percent.

The following table summarizes the income level of the various census tracts within the assessment area, as well as the number and percentage of OOHU's within those tracts and the number and percentage of families by income level.

Tract or Family Income	Census Tract's		OOHU's		Families	
	Number	Percent	Number	Percent	Number	Percent
Low	3	10.0	1,129	2.9	10,594	27.4
Moderate	14	46.7	14,398	37.2	9,023	23.3
Middle	13	43.3	23,206	59.9	10,138	26.2
Upper	0	0.0	0	0.0	8,916	23.1
<b>Totals</b>	<b>30</b>	<b>100.0</b>	<b>38,733</b>	<b>100.0</b>	<b>38,671</b>	<b>100.0</b>

The above table reveals the relative lack of OOHU's within both the low and moderate-income tracts of the assessment area. Although low-income tracts represent 10.0 percent of the tracts within the assessment area, the number of OOHU's within those tracts is only 2.9 percent of total OOHU's. Additionally, moderate-income tracts represent 46.7 percent of the tracts within the assessment area, but the number of OOHU's within those tracts is 37.2 percent.

There are adequate lending opportunities in the assessment area with HMDA reportable loans for all FDIC insured financial institutions totaling 4,986 in 2009. During this year, conventional home purchase loans represented 10.7 percent of reported loans, while the remaining loan types included 79.0 percent refinance, 7.5 percent government insured home purchase, and 2.8 percent home improvement. Based on most recent available data, the weighted average of median housing for the assessment area was \$122,265.

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***Institution (continued)***

**Conclusions with Respect to Performance Tests in the Lake County Kenosha County MD**

**Lending Test**

**Overall Lending Activities**

North Shore originated 240 HMDA reportable loans totaling \$43.8 million in Kenosha County during 2008 through 2010, as well as one WHEDA loan totaling \$79,000 and ten small business loans totaling \$1.9 million.

The 2009 HMDA market share report for FDIC insured institutions indicates North Shore had a 2.0 percent market share, by number, ranking North Shore 12th out of 144 institutions. In comparison North Shore had a deposit market share of 0.7 percent on June 30, 2010. This represents very good lending penetration within the institution's assessment area.

**Lending to Borrowers of Different Income Levels and Businesses of Different Sizes**

The following table shows North Shore's overall borrower distribution of HMDA reportable loans made during the review period in Kenosha County and compares this activity to the 2009 aggregate lending averages in the assessment area.

**Institution (continued)**

Comparison of HMDA Loans By Borrower Income Level in the Assessment Area (Dollars in thousands)				
Borrower Income Level	North Shore		Aggregate	
	2008 - 2010		2009	
	Number	Percent	Number	Percent
Low	20	8.3	892	17.9
Moderate	54	22.5	1,238	24.8
Middle	83	34.6	1,215	24.4
Upper	77	32.1	1,144	22.9
Income NA	6	2.5	497	10.0
<b>Total</b>	<b>240</b>	<b>100.0</b>	<b>4,986</b>	<b>100.0</b>
	Amount	Percent	Amount	Percent
Low	\$ 1,965	4.5	\$102,889	12.2
Moderate	7,730	17.6	171,190	20.3
Middle	15,133	24.5	209,793	24.8
Upper	17,065	39.0	262,385	31.1
Income NA	1,901	4.4	98,225	11.6
<b>Total</b>	<b>\$43,794</b>	<b>100.0</b>	<b>\$844,482</b>	<b>100.0</b>

The data indicates that for the 234 loans where borrower income is available North Shore originated 8.6 percent to low-income borrowers and 23.1 percent to moderate-income borrowers. Aggregate data indicates FDIC insured lenders, after adjusting for NA's, originated 19.9 percent to low-income borrowers and 27.6 percent to moderate-income borrowers. Combined, North Shore's level of 31.7 percent to low and moderate-income borrowers is well below the aggregate level of 47.5 percent.

North Shore's performance in relation to the percentage of families by income category is poor. 27.4 percent of families living in the assessment area are low-income and 23.3 percent are moderate-income. North Shore's lending does not compare favorably in the low-income category but is very near the moderate-income family demographic. Although the percentage of mortgage loans originated to low-income borrowers is well below the representation of such families in the population, 7.3 percent of households are below poverty level, and income restraints on the low-income segment make purchase of homes much more difficult.

North Shore originated one WHEDA loan to a low-income borrower.

North Shore originated ten small business loans with six (60.0 percent) in amounts of \$100,000 or less, one (10.0 percent) in amounts of \$100,001 to \$250,000 and three (30.0 percent) above that amount indicating there was a reasonable level of small business loans in small amounts. Also, six (60.0 percent) of the loans were made to small businesses with gross annual revenues of \$1 million or less.

***Institution (continued)***

Overall, North Shore had poor distribution of HMDA lending by borrower income and a very good distribution (although low volume) of small business lending by loan size and to small businesses in this assessment area.

**Geographic Distribution of Loans**

The following table shows North Shore’s overall geographic distribution of HMDA reportable loans for the three year review period within Kenosha County and compares this activity to the aggregate lending 2009 (most current year available).

<b>Comparison of HMDA Loans By Geography Income Level in the Assessment Area (Dollars in thousands)</b>				
<b>Geography Income Level</b>	<b>North Shore 2008 - 2010</b>		<b>Aggregate 2009</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Low	4	1.7	116	2.3
Moderate	52	21.7	1,342	26.9
Middle	184	76.6	3,528	70.8
Upper	0	0.0	0	0.0
<b>Total</b>	<b>240</b>	<b>100.0</b>	<b>4,986</b>	<b>100.0</b>
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Low	\$ 509	1.2	\$13,598	1.6
Moderate	7,850	17.9	184,285	21.8
Middle	35,435	80.9	646,599	76.6
Upper	0	0.0	0	0.0
<b>Total</b>	<b>\$43,794</b>	<b>100.0</b>	<b>\$844,482</b>	<b>100.0</b>

The data indicates that North Shore originated 1.7 percent of its loans in low-income tracts and 21.7 percent in moderate-income tracts. Aggregate data indicates FDIC insured lenders originated 2.3 percent in low-income tracts and 26.9 percent in moderate-income tracts. Combined, North Shore’s level of 23.4 percent in low- and moderate-income areas is below the 29.2 percent aggregate level.

North Shore’s performance in relation to percent of OOHU’s by census tract income is adequate. The percent of OOHU’s in low income tracts is 2.9 percent and in moderate-income tracts is 37.2 percent. Consequently, combined North Shore’s 23.4 percent of loans in low and moderate-income tracts is significantly below the 40.1 percent of OOHU’s within those tracts.

North Shore’s one WHEDA loan was located in a moderate-income tract.

### ***Institution (continued)***

We reviewed the reasonableness of the institution's geographic distribution of North Shore's ten small business loans within the assessment area, in particular its distribution in moderate-income areas. North Shore originated four (40.0 percent) of its small business loans in moderate income tracts with the remainder (60.0 percent) in middle-income tracts indicating a good distribution.

Overall, the institution had adequate penetration within the low- and moderate-income areas of this assessment area.

### ***Innovative or Flexible Lending Practices***

North Shore's innovative or flexible lending products offered in the assessment area are the same as those offered in the Milwaukee MSA, except for the loan programs that are specific to a certain geographic area.

### **Investment Test**

North Shore has no qualifying investments in this assessment area.

### **Service Test**

#### ***Retail Banking Services***

North Shore operates one full-service office and one ATM located in a middle-income census tract in Kenosha County.

The Kenosha branch office is open 9:00 a.m. to 5:00 p.m. Mondays through Thursdays and is open until 6:00 p.m. on Fridays and until noon on Saturdays. The drive-up facility is open an additional one to one and a half hours each day.

The institution's alternative delivery systems in this assessment area are the same as those available in the Milwaukee MSA. Lending personnel are available at the Kenosha office to assist customers with applications for mortgage and consumer loan products.

## ***Institution (continued)***

### **Community Development Services**

North Shore successfully submitted applications for the FHLB of Chicago's Downpayment Plus program administered by the Wisconsin Partnership for Housing Development Inc. (WPHD) assisting one borrower in obtaining a grant totaling \$4,000.

North Shore has numerous community development services available in the assessment area including the following: processing applications as an approved IRS Acceptance Agent for individuals to obtain an ITIN as well as offer other services to these individuals; offering a checking program designed for individuals who have no accounts or prior problems maintaining an account that includes a credit counseling component; offering a loan/deposit program designed to help people with no or poor credit establish a positive credit history; and providing FHLMC homebuyer education and counseling services to respective applicants. There is a detailed description of these services included in the Milwaukee MSA section of this report.

### **Description of Institution's Operations in the Appleton MSA**

North Shore has designated the census tracts that encompass the city of Appleton as one of its assessment areas. Sixteen of the tracts are located in Outagamie County and one is in Calumet County. In the entirety, Outagamie and Calumet Counties comprise the Appleton MSA. The use of a partial MSA is acceptable.

According to the 2000 Census Bureau data this assessment area has a population of 74,297 which includes 29,926 households and 18,728 families. There are 30,726 housing units of which 18,974, or 61.8 percent, are OOHU's. Multifamily units are significant, totaling 19.7 percent of all housing units and vacant units totaled 3.3 percent. Also significant is the 6.2 percent of households that are below poverty level. Unemployment is at historically high levels with the December 2010 unemployment rate in Outagamie County at 6.6 percent and Calumet County at 5.5 percent.

***Institution (continued)***

The following table summarizes the income level of the various census tracts within the assessment area, as well as the number and percentage of OOHU's within those tracts and the number and percentage of families by income level.

Tract or Family Income	Census Tract's		OOHU's		Families	
	Number	Percent	Number	Percent	Number	Percent
Low	0	0.0	0	0.0	2,849	16.1
Moderate	3	17.6	2,162	11.4	3,731	21.0
Middle	12	70.6	15,571	82.1	5,269	29.7
Upper	2	11.8	1,241	6.5	5,900	33.2
<b>Totals</b>	<b>17</b>	<b>100.0</b>	<b>18,974</b>	<b>100.0</b>	<b>17,749</b>	<b>100.0</b>

There are adequate lending opportunities in the assessment area with HMDA reportable loans for all FDIC insured financial institutions totaling 2,090 in 2009. During this year, conventional home purchase loans represented 16.6 percent of reported loans, while the remaining loan types included 67.9 percent refinance, 11.1 percent government insured home purchase, and 4.4 percent home improvement. Based on most recent available data, the weighted average of median housing for the assessment area was \$98,345.

**Conclusions with Respect to Performance Tests in the Appleton MSA**

**Lending Test**

***Overall Lending Activities***

North Shore originated 51 HMDA reportable loans totaling \$5.9 million, one WHEDA loan totaling \$77,500, and 14 small business loans totaling \$3.5 million in the Appleton assessment area during the three year review period.

***Lending to Borrowers of Different Income Levels and Businesses of Different Sizes***

Due to the relatively small number of loans originated in the assessment area during the review period we did not complete an aggregate comparison. The borrower income for the 51 HMDA loans originated included 14 (27.4 percent) low-income; ten (19.6 percent) moderate-income; 18 (35.3 percent) middle-income; seven (13.7 percent) upper-income and two (3.9 percent) income not available. Adjusting for incomes not available North Shore's 49.0 percent of loans to low- and moderate-income borrowers is very good.

### ***Institution (continued)***

By dollar amount North Shore made \$1.1 million; \$0.9 million, \$2.2 million, and \$0.7 million to low, moderate, middle and upper income borrowers and there was \$1.1 million with income not available.

The one WHEDA loan was to a middle-income borrower.

North Shore originated 14 small business loans with seven (50.0 percent) in amounts of \$100,000 or less, four (28.6 percent) in amounts of \$100,001 to \$250,000 and three (21.4 percent) above that amount indicating there was a reasonable level of small business loans in small amounts. Also, eight (57.1 percent) of the loans were made to small businesses with gross annual revenues of \$1 million or less.

Overall, North Shore distribution by borrower income and small business lending by loan size and to small businesses is good in this assessment area.

### **Geographic Distribution of Loans**

Due to the relatively small number of loans originated in the assessment area during the review period we did not complete an aggregate comparison. The geographic tract distribution for the 51 HMDA loans originated included four (7.8 percent) moderate-income; 38 (74.5 percent) middle-income; and nine (17.6 percent) upper-income, respectively. North Shore's 7.8 percent of loans in moderate-income tracts is below the demographic comparison of 11.4 percent OOHU's in moderate-income tracts in the assessment area and is considered adequate dispersion.

By dollar amount North Shore made \$0.3 million, \$4.9 million, and \$0.7 million in moderate, middle and upper income tracts, respectively.

The one WHEDA loan was located in a middle-income area.

The 14 small business loan originations included one (7.1 percent) located in a moderate-income tract and the remainder in middle-income tracts.

Overall, the geographic distribution of loans is adequate in this assessment area.

## ***Institution (continued)***

### ***Innovative or Flexible Lending Practices***

North Shore's innovative or flexible lending products offered in the assessment area are the same as those offered in the Milwaukee MSA, except for the loan programs that are specific to a certain geographic area.

### **Investment Test**

North Shore has no qualifying investments in this assessment area.

### **Service Test**

#### ***Retail Banking Services***

North Shore operates two full-service offices within the City of Appleton including one in a moderate-income tract and one in a middle-income tract. There are drive-up facilities and ATM's available at both locations. Additionally, adjacent to one office and within a supermarket there is a limited service area and an ATM located in that supermarket. Two of the three ATM's within this assessment area feature both English and Spanish as an option.

Expanded hours are available for the branch and limited service area in the supermarket giving customers more convenience and flexibility with their banking options. The hours of operation are from 9:00 a.m. to 6:00 p.m. Monday through Wednesday, from 9:00 a.m. to 7:00 pm Thursday and Friday, from 9:00 a.m. to 3:00 p.m. on Saturday, and from 10:00 a.m. to 1:00 p.m. on Sundays. The other branch is located downtown and has branch and drive-up hours from 9:00 a.m. to 5:00 p.m. Monday through Friday.

The institution's alternative delivery systems in this assessment area are the same as those available in the Milwaukee MSA. Lending personnel are available at all branch offices in the assessment area to assist customers with applications for mortgage and consumer loan products.

***Institution (continued)***

**Community Development Services**

North Shore has numerous community development services available in the assessment area including the following: processing applications as an approved IRS Acceptance Agent for individuals to obtain an ITIN as well as offer other services to these individuals; offering a checking program designed for individuals who have no accounts or prior problems maintaining an account that includes a credit counseling component; offering a loan/deposit program designed to help people with no or poor credit establish a positive credit history; and providing FHLMC homebuyer education and counseling services to respective applicants. There is a detailed description of these services included in the Milwaukee MSA section of this report.

**Description of Institution's Operations in the Oshkosh-Neenah MSA**

North Shore has designated the census tracts that encompass the city of Menasha as one of its assessment areas. All of the tracts are located in Winnebago County which is the only County that comprises the Oshkosh-Neenah MSA. The use of a partial MSA is acceptable.

According to the 2000 Census Bureau data this assessment area has a population of 35,614 which includes 14,950 households and 9,408 families. There are 15,500 housing units of which 9,671, or 62.4 percent, are OOHU's. Multifamily units are significant, totaling 20.0 percent of all housing units and vacant units totaled 3.8 percent. Also significant is the 5.4 percent of households that are below poverty level. Unemployment is at historically high levels with the December 2010 unemployment rate in Winnebago County at 5.9 percent.

The following table summarizes the income level of the various census tracts within the assessment area, as well as the number and percentage of OOHU's within those tracts and the number and percentage of families by income level.

Tract or Family Income	Census Tract's		OOHU's		Families	
	Number	Percent	Number	Percent	Number	Percent
Low	0	0.0	0	0.0	1,633	17.4
Moderate	1	11.1	394	4.1	1,958	20.8
Middle	7	77.8	7,156	74.0	2,418	25.7
Upper	1	11.1	2,121	21.9	3,399	36.1
<b>Totals</b>	<b>9</b>	<b>100.0</b>	<b>9,671</b>	<b>100.0</b>	<b>9,408</b>	<b>100.0</b>

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***Institution (continued)***

There are adequate lending opportunities in the assessment area with HMDA reportable loans for all FDIC insured financial institutions totaling 1,036 in 2009. During this year, conventional home purchase loans represented 16.2 percent of reported loans, while the remaining loan types included 68.4 percent refinance, 11.8 percent government insured home purchase, and 3.6 percent home improvement. Based on most recent available data, the weighted average of median housing for the assessment area was \$95,443.

**Conclusions with Respect to Performance Tests in the Oshkosh-Neenah MSA**

**Lending Test**

**Overall Lending Activities**

North Shore originated 29 HMDA reportable loans totaling \$8.1 million and 20 small business loans totaling \$5.5 million in the Menasha assessment area during the three year review period.

**Lending to Borrowers of Different Income Levels and Businesses of Different Sizes**

Due to the relatively small number of loans originated in the assessment area during the review period we did not complete an aggregate comparison. The borrower income for the 29 HMDA loans originated included three (10.3 percent) low-income; eight (27.6 percent) moderate-income; 11 (38.0 percent) middle-income; four (13.8 percent) upper-income and three (10.3 percent) income not available. Adjusting for incomes not available, North Shore had a good level of lending (42.3 percent) to low- and moderate-income borrowers.

By dollar amount North Shore made \$0.2 million; \$0.6 million, \$1.1 million, and \$0.5 million to low, moderate, middle and upper income borrowers and there was \$5.7 million with income not available.

North Shore originated 20 small business loans with seven (35.0 percent) in amounts of \$100,000 or less, seven (35.0 percent) in amounts of \$100,001 to \$250,000 and six (30.0 percent) above that amount indicating there was a good level of small business loans in small amounts. Also, ten (50.0 percent) of the loans were made to small businesses with gross annual revenues of \$1 million or less.

Overall, North Shore distribution by borrower income of HMDA lending and small business lending by loan size and to small businesses is good in this assessment area.

## **Institution (continued)**

### **Geographic Distribution of Loans**

Due to the relatively small number of loans originated in the assessment area during the review period we did not complete an aggregate comparison. Also, with only one moderate-income tract in the assessment area geographic distribution is not overly significant. The geographic tract distribution for the 29 HMDA loans originated included 22 (75.9 percent) middle-income; and seven (24.1 percent) upper-income, respectively.

By dollar amount North Shore made \$7.4 million, and \$0.7 million in middle- and upper-income tracts, respectively.

The 14 small business loan originations included nine (45.0 percent) located in a middle-income tracts and eleven (55.0 percent) in upper-income tracts.

Taking full account of the absence of low-income tracts and the single moderate-income tract, North Shore's overall distribution by geography of HMDA lending and small business lending by loan size and to small businesses is poor in this assessment area.

### **Innovative or Flexible Lending Practices**

North Shore's innovative or flexible lending products offered in the assessment area are the same as those offered in the Milwaukee MSA, except for the loan programs that are specific to a certain geographic area.

## **Investment Test**

North Shore has no qualifying investments in this assessment area.

## **Service Test**

### **Retail Banking Services**

North Shore operates only one full-service office located in a middle-income tract in the Menasha assessment area and has an ATM that features both English and Spanish as an option.

The Menasha branch office is open 9:00 a.m. to 6:00 p.m. Monday through Wednesday, 8:00 a.m. to 7:00 pm on Thursday and Friday, 9:00 a.m. to 3:00 pm on Saturdays and 9:00 a.m. to Noon on Sunday with slightly extended hours during the week for the drive-up facility.

***Institution (continued)***

The institution's alternative delivery systems in this assessment area are the same as those available in the Milwaukee MSA. Lending personnel are available at the Menasha office to assist customers with applications for mortgage and consumer loan products.

***Community Development Services***

North Shore has numerous community development services available in the assessment area including the following: processing applications as an approved IRS Acceptance Agent for individuals to obtain an ITIN as well as offer other services to these individuals; offering a checking program designed for individuals who have no accounts or prior problems maintaining an account that includes a credit counseling component; offering a loan/deposit program designed to help people with no or poor credit establish a positive credit history; and providing FHLMC homebuyer education and counseling services to respective applicants. There is a detailed description of these services included in the Milwaukee MSA section of this report.

## ***Institution (continued)***

### **CRA Rating for Illinois**

<b>CRA RATING:</b>	<b>Satisfactory</b>
<b>The Lending Test is rated:</b>	<b>High Satisfactory</b>
<b>The Investment Test is rated:</b>	<b>Needs to Improve</b>
<b>The Service Test is rated:</b>	<b>Low Satisfactory</b>

North Shore's presence in Illinois is very limited with only two branches in McHenry County and a relatively small amount of HMDA and small business lending during the review period. There were no investments or qualifying donations. Services (although limited by the low number of branches) are comparable to that offered by North Shore in the Milwaukee-Waukesha-West Allis MSA.

### **Scope of Examination**

We conducted an analysis of HMDA reportable loans and small business loans for 2008, 2009 and 2010. We also reviewed the services available to all segments of the population within the assessment area.

### **Description of Institution's Operations in Illinois**

North Shore has two branches in McHenry County, which is a part of the Chicago-Naperville-Joliet MSA. North Shore acquired these two branches in 2005 when it purchased a commercial bank in the County. Since the bank was primarily a commercial lender there was a focus on commercial lending but during this review period there has been a significant reduction in small business lending activity. There are 47 census tracts in McHenry County but none of them are low- or moderate-income.

### **Conclusions with Respect to Performance Tests in Illinois**

Since there is only one assessment area in Illinois conclusions are included within the assessment area analysis.

**Institution (continued)**

**Description of Institution's Operations in the Chicago-Naperville-Joliet MSA**

North Shore has designated McHenry County as an assessment area which is one of eight counties that comprise the Chicago-Naperville-Joliet MSA. According to the 2000 U.S. Census data, there are a total of 47 census tracts in the assessment area consisting of 26 middle-income tracts, and 21 upper-income tracts.

According to the 2000 Census Bureau data this assessment area has a population of 260,077 which includes 89,377 households and 69,794 families. There are 92,908 housing units of which 74,324, or 80.0 percent, are OOHU's. Multifamily units total 7.9 percent of all housing units and vacant units totaled 3.8 percent. Also significant is the 3.5 percent of households that are below poverty level. Unemployment is at historically high levels with the December 2010 unemployment rate in McHenry County at 8.3 percent.

The following table summarizes the income level of the various census tracts within the assessment area, as well as the number and percentage of owner occupied housing units (OOHU's) within those tracts and the number and percentage of families by income level.

Tract or Family Income	Census Tract's		OOHU's		Families	
	Number	Percent	Number	Percent	Number	Percent
Low	0	0.0	0	0.0	7,184	10.3
Moderate	0	0.0	0	0.0	10,138	14.5
Middle	26	55.3	36,038	48.5	17,971	25.8
Upper	21	44.7	38,286	51.5	34,491	49.4
<b>Totals</b>	<b>47</b>	<b>100.0</b>	<b>74,324</b>	<b>100.0</b>	<b>69,794</b>	<b>100.0</b>

There are adequate lending opportunities in the assessment area with HMDA reportable loans for all FDIC insured financial institutions totaling 10,715 in 2009. During this year, conventional home purchase loans represented 8.8 percent of reported loans, while the remaining loan types included 80.2 percent refinance, 8.9 percent government insured home purchase, and 2.1 percent home improvement. Based on most recent available data, the weighted average of median housing for the assessment area was \$170,798.

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***Institution (continued)***

**Conclusions with Respect to Performance Tests in the Chicago-Naperville-Joliet MSA**

**Lending Test**

**Overall Lending Activities**

North Shore originated 68 HMDA reportable loans totaling \$14.8 million and 117 small business loans totaling \$23.2 million in the McHenry County assessment area during the three year review period. The dollar amount of small business loans is substantial.

The 2009 HMDA market share report for FDIC insured institutions indicates North Shore had a 0.2 percent market share, by number, ranking North Shore 47th out of 210 institutions. In comparison North Shore had a deposit market share of 0.2 percent on June 30, 2010. This represents reasonable lending penetration given North Shore's minimal presence within this assessment area.

**Lending to Borrowers of Different Income Levels and Businesses of Different Sizes**

We conducted a review to determine the reasonableness of the institution's mortgage lending to borrowers of different income levels within McHenry County, particularly its lending to low- and moderate-income borrowers.

The following table shows North Shore's overall borrower distribution of HMDA reportable loans made during the review period in the assessment area and compares this activity to the 2009 aggregate lending averages in the assessment area.

**Institution (continued)**

Comparison of HMDA Loans By Borrower Income Level in the Assessment Area (Dollars in thousands)				
Borrower Income Level	North Shore		Aggregate	
	2008 - 2010		2009	
	Number	Percent	Number	Percent
Low	2	2.9	669	6.2
Moderate	11	16.2	1,760	16.4
Middle	14	20.6	2,600	24.3
Upper	26	38.2	4,321	40.3
Income NA	15	22.1	1,365	12.7
<b>Total</b>	<b>68</b>	<b>100.0</b>	<b>10,715</b>	<b>100.0</b>
	Amount	Percent	Amount	Percent
Low	\$224	1.5	\$73,696	3.5
Moderate	1,624	11.0	249,247	11.8
Middle	2,383	16.1	466,798	22.1
Upper	6,861	46.3	1,011,783	47.8
Income NA	3,713	25.1	312,561	14.8
<b>Total</b>	<b>\$14,805</b>	<b>100.0</b>	<b>\$2,114,085</b>	<b>100.0</b>

The data indicates that for the 53 loans where borrower income is available North Shore originated 2.9 percent to low-income borrowers and 16.2 percent to moderate-income borrowers. Aggregate data indicates FDIC insured lenders, after adjusting for NA's, originated 7.2 percent to low-income borrowers and 18.8 percent to moderate-income borrowers. Combined, North Shore's level of 19.1 percent to low and moderate-income borrowers is slightly below the aggregate level of 22.6 percent.

North Shore's performance in relation to the percentage of families by income category is adequate. 10.3 percent of families living in the assessment area are low-income and 14.5 percent are moderate-income. North Shore's lending does not compare favorably in the low-income category, but is above the moderate-income family demographic. Although the percentage of mortgage loans originated to low-income borrowers is below the representation of such families in the population, 3.5 percent of households are below poverty level, and income restraints on the low-income segment make purchase of homes much more difficult.

We conducted a review of small business lending to determine the reasonableness of the institution's lending based on loan size as well as level of lending to small businesses.

The following table shows the distribution of North Shore's small business originations in the assessment area, based on loan origination amount, for the three-year review.

***Institution (continued)***

<b>Distribution of Small Business Loans by Dollar Amount In Assessment Area (Dollars in thousands)</b>		
<b>Loan Amount at Origination</b>	<b>North Shore</b>	
	<b>2008 - 2010</b>	
	<b>Number</b>	<b>Percent</b>
\$100,000 or Less	59	50.4
\$100,001 - \$250,000	27	23.1
\$250,001 - \$1 million	31	26.5
<b>Total</b>	<b>117</b>	<b>100.0</b>
	<b>Amount</b>	<b>Percent</b>
\$100,000 or Less	\$ 2,467	18.1
\$100,001 - \$250,000	4,474	42.0
\$250,001 - \$1 million	16,210	39.9
<b>Total</b>	<b>\$23,151</b>	<b>100.0</b>

The institution’s 50.4 percent of loans in amounts of \$100,000 or less was significantly less than the 2009 aggregate average of 88.1 percent. By dollar amount North Shore’s percentage of 18.1 percent is moderately below the 22.8 percent aggregate average. North Shore made 72 of 117 of its loans, or 61.5 percent, to small businesses with gross annual revenues of \$1 million or less and that is well above the 35.7 percent aggregate average in 2009 for those lenders reporting small business loan originations in McHenry County.

Overall, North Shore had an adequate distribution of HMDA lending by borrower income and small business loan size with a good ratio of loans to small businesses in this assessment area.

**Geographic Distribution of Loans**

Since there are no low- or moderate-income tracts in the assessment area, a geographic distribution analysis was not completed.

**Community Development Lending Activities**

North Shore did not have any community development loans in this assessment area.

## **Institution (continued)**

### **Innovative or Flexible Lending Practices**

North Shore's innovative or flexible lending products offered in the assessment area are the same as those offered in the Milwaukee MSA, except for the loan programs that are specific to a certain geographic area.

### **Investment Test**

#### **Grants and Donations**

During the review period, North Shore made qualifying donations totaling \$750 in Illinois. The donations are to community groups and organizations that provide financial and other services.

### **Service Test**

#### **Retail Banking Services**

North Shore operates a total of two full-service offices in the assessment area. These two branches are the result of North Shore purchasing a financial institution in McHenry County in November 2005. Both of the offices have ATMs on site.

The two traditional branch offices have similar business hours Mondays through Fridays and are open until noon on Saturdays. All of the offices are equipped with drive-up facilities that have extended business hours on weekdays and regular hours on Saturdays.

The institution's alternative delivery systems in this assessment area are the same as those available in the Milwaukee MSA. Lending personnel are available at all branch offices in the assessment area to assist customers with applications for mortgage and consumer loan products.

#### **Community Development Services**

North Shore successfully submitted applications for the FHLB of Chicago's Downpayment Plus program administered by the Wisconsin Partnership for Housing Development Inc. (WPHD) assisting one borrower in obtaining a grant totaling \$4,000.

***Institution (continued)***

During the review period, North Shore personnel conducted one residential homebuyer seminar in this assessment area.

North Shore has numerous community development services available in the assessment area including the following: processing applications as an approved IRS Acceptance Agent for individuals to obtain an ITIN as well as offer other services to these individuals; offering a checking program designed for individuals who have no accounts or prior problems maintaining an account that includes a credit counseling component; offering a loan/deposit program designed to help people with no or poor credit establish a positive credit history; and providing FHLMC homebuyer education and counseling services to respective applicants. There is a detailed description of these services included in the Milwaukee MSA section of this report.

**Appendix A**

**Scope of Examination**

SCOPE OF EXAMINATION		
This evaluation of North Shore's CRA performance covers the three year review period of 2008 - 2010. The Lending Test utilized the institution's HMDA, WHEDA and small business loan data for the entire review period. We used 2009 HMDA aggregate data for comparative purposes (the most recently available). The Investments and Services Tests utilized information for the entire review period with the inclusion of some investments from prior periods.		
<b>TIME PERIOD REVIEWED:</b>		
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>
North Shore Bank, FSB		HMDA reportable loans, WHEDA loans, small business loans and community development loans
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>
None		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED <sup>1</sup>	OTHER INFORMATION
Milwaukee-Waukesha-West Allis MSA	Full Scope	None	None
Racine MSA	Full Scope	None	None
Green Bay MSA (partial)	Full Scope	None	None
Wisconsin Non-MSA (partial)	Full Scope	None	None
Lake County-Kenosha County MSA (partial)	Full Scope	None	None
Appleton MSA (partial)	Full Scope	None	None
Oshkosh-Neenah MSA (partial)	Full Scope	None	None
Chicago-Naperville-Joliet IL MSA (partial)	Full Scope	None	None

<sup>1</sup> There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

**Appendix B**

Summary of State and Multistate Metropolitan Area Ratings

State or Multistate Metropolitan Area Name	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall State Rating
Wisconsin	Low Satisfactory	Needs to Improve	High Satisfactory	Satisfactory
Illinois	High Satisfactory	Needs to Improve	Low Satisfactory	Satisfactory

## **CRA Rating Definitions**

There are five separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the intermediate small institution test for intermediate small savings associations; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, service, and community development opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.