



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

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Community Reinvestment Act Performance Evaluation

**Harris Bank Palatine, N.A.
Charter Number: 14494**

**50 N. Brockway
Palatine, Illinois 60067**

Office of the Comptroller of the Currency

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

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General Information

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

*This document is an evaluation of the CRA performance of **Harris Bank Palatine, N.A.** prepared by the **Office of the Comptroller of the Currency (OCC)** the institution's supervisory agency, as of May 22, 2000. The agency evaluates performance in assessment areas, as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

Home Mortgage Disclosure Act (HMDA) The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include

such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

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

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

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

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

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

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

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

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

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

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

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

Overall CRA Rating

Institution's CRA Rating: This institution is rated "**Satisfactory.**"

The following table indicates the performance level of **Harris Bank Palatine, N.A. (HB Palatine)** with respect to the Lending, Investment, and Service Tests:

| Performance Levels | Harris Bank Palatine, N.A. Performance Tests | | |
|---------------------------|---|-----------------|--------------|
| | Lending Test* | Investment Test | Service Test |
| Outstanding | | X | |
| High Satisfactory | X | | X |
| Low Satisfactory | | | |
| Needs to Improve | | | |
| Substantial Noncompliance | | | |

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

The major factors that support this rating include:

- y Lending levels that reflected a good responsiveness by HB Palatine to the credit needs of its assessment area (AA).
- y Good distribution of HB Palatine's loans among borrowers of different income levels throughout its AA.
- y Community development lending which had an overall positive impact on the Lending Test conclusion.
- y Investments that reflected an excellent responsiveness by HB Palatine to the needs of its AA.
- y Good accessibility of HB Palatine's offices to individuals of different income levels and good responsiveness of HB Palatine's services to the needs of its AA.
- y Good performance in providing community development services.

Description of Institution

Harris Bank Palatine, N.A. (HB Palatine) is an intrastate bank headquartered in Palatine, Illinois. It is located in the Chicago MSA. HB Palatine is a wholly owned subsidiary of Harris Bankcorp, Inc., located in Chicago, Illinois. Harris Bankcorp, Inc. is a subsidiary of the Bankmont Financial Corporation, which is wholly owned by the Bank of Montreal in Toronto, Canada. Bankmont Financial Corporation also owns Harris Bankmont, Inc. These two holding companies are generally referred to as Harris Bank. This organization includes the Harris Trust and Savings Bank (HTSB) in downtown Chicago and 25 separately chartered community banks in the Chicagoland area. There are approximately 140 branches in the Chicago area. It is one of the largest community bank networks in the Midwest. Harris Trust and Savings Bank (HTSB) alone is ranked the fourth largest bank in Chicago. According to the American Banker, a banking news publication, the Harris organization is the 35th largest banking organization in the United States. The assets of all community banks within the Harris Bank group amount to roughly \$26 billion as of September 1999. The Bank of Montreal had assets of approximately \$231 billion Canadian at October 31, 1999 and ranks as one of the ten largest banks in North America. Harris Bank's commitment to community banking is founded on the belief that local, independent banks, allowed to appoint their own management team and board of directors, have the insight to best serve their respective communities.

As of 12/31/99, HB Palatine had \$505 million in total assets and \$451 million in deposits. HB Palatine has seven branch and five ATM locations in the Chicago suburb communities of Palatine, Schaumburg and Rolling Meadows, Illinois.

HB Palatine is a full-service bank, offering various loan and deposit products. HB Palatine has adopted the standardized consumer and commercial product offerings of Harris Bank. In 1997 and 1998, Harris Bank consolidated the permanent financing mortgage business of all of its banks into one operation housed at HTSB. Mortgage applications taken at the bank are referred to and processed by one of HTSB's Regional Operations Centers (ROCs). Mortgage applications denied by the ROC can be overridden and reported on the bank's books. For the purpose of the CRA evaluation, affiliate mortgage loans from HTSB were considered. Mortgage loans were allocated by HTSB to the individual banks based on the referring bank and the location of the loan. Banks were assigned loans that were located in their AA.

HB Palatine has been primarily a retail bank making home mortgages. As of December 31, 1999, net loans at \$258 million represented 51% of total assets, with real estate loans of \$212 million (82%), commercial loans of \$37 million (14%) and consumer loans of \$12 million (4%). Agricultural lending is not a primary business line of the bank. The bank's loan to deposit ratio as of December 31, 1999 was 56%. HB Palatine's market share of deposits in Cook County was nearly 0.37%. It is the second largest of the three banks headquartered in Palatine, Illinois.

There were no legal, financial or other factors that impeded HB Palatine's ability to help meet the credit needs of the communities it serves. As of December 31, 1999, HB Palatine reported Tier 1 capital of \$37 million.

HB Palatine was rated "Satisfactory" at its last CRA evaluation dated August 10, 1998.

Scope of the Evaluation

Evaluation Period/Products Evaluated

With the exception of community development (CD) loans, the evaluation period of the Lending Test is January 1, 1998 through December 31, 1999. For CD loans, the Investment Test and the Service Test, the evaluation period is August 10, 1998 through May 22, 2000.

For the Lending Test, HB Palatine's origination, purchase and HTSB allocation of home mortgage loans, small loans to businesses, consumer loans and CD loans were evaluated. The bank did not make any small loans to farms during the evaluation period.

In the evaluation of HB Palatine's performance, the home mortgage and investment activities of its HTSB affiliate were considered to the extent the loans and investments were allocated to the bank by HTSB, were located within the bank's AA and were not counted in any other affiliate's data.

Market share data for home mortgage loans and small loans to businesses were based on 1998 aggregate data, which were the most current data available at the time the bank's CRA performance was evaluated. Market share data were for the bank only and did not include the affiliate home mortgage loans allocated to the bank.

Data Integrity

As part of this CRA evaluation, we tested for accuracy a representative sample of HB Palatine's publicly filed data on home mortgage loans and small loans to businesses. We also tested for accuracy a representative sample of HB Palatine's optionally collected data on consumer loans and other secured loans for purposes of small business, as well as data on home mortgage loans allocated from the bank's affiliate, HTSB.

HB Palatine had no significant errors in its data on home mortgage loans, small loans to businesses or consumer loans that would prevent an accurate evaluation of its CRA performance. The bank's publicly filed data and optionally collected data were substantially correct and reliable.

We verified information on bank-identified CD loans, qualified investments and CD services to ensure the activities met the regulatory definitions. HB Palatine had accurately identified substantially most of the activities it submitted. We excluded activities that did not meet the regulatory definitions from this evaluation.

Selection of Areas for Full-Scope Review

HB Palatine has one assessment area (AA) consisting of 90 census tracts located in portions of Cook, Lake and DuPage Counties, all within the Chicago MSA. This one AA received a full-scope review.

Ratings

The bank's rating was based on conclusions reached in the evaluation of HB Palatine's performance in its one AA.

Other

During the evaluation, a total of 27 community contacts were made by the OCC, Federal Reserve Bank of Chicago, and Federal Deposit Insurance Corporation in the Chicagoland area. The community contacts mentioned several needs in the community that would provide opportunities to banks. Most of the contacts said that banks were doing a good job of meeting credit needs in their area.

One of the primary credit needs identified by the contacts was lending for affordable housing. The contacts stated that the following are opportunities for banks to help meet the affordable housing credit needs: providing below market rate loans to affordable housing developers; relaxing some underwriting standards; considering compensating factors when lesser experienced groups or developers apply for affordable housing development loans; conducting outreach to inform community groups and developers of various financing options available and the assistance the bank is willing to provide; conducting home buyers seminars and counseling; and providing flexible credit terms for borrowers who have good credit but inadequate cash flow. The contacts cited the following as obstacles to affordable housing: new home construction in the \$100,000 to \$300,000 range, little construction of affordable rental properties, high impact fees, high land costs, little vacant land available for housing developments, little property zoned for multi-family units, and few affordable housing developers.

The contacts also identified small business funding and operating lines of credit as a credit need, citing the Capital Access Program (CAP) as a vehicle to provide loans to businesses that do not qualify for conventional credit.

As neighborhoods change, and as older residents move out and young families move into older homes in established neighborhoods, there is an opportunity for banks to extend rehabilitation and home improvement loans.

Fair Lending Review

An analysis of 1998 HMDA and small business lending data, 1999 consumer complaint information, and public comments was performed according to the OCC's risk-based analysis approach. The analysis of the lending data revealed no significant differences for applicants by collected prohibited basis. In addition, an analysis of the consumer complaint data and public comments revealed no substantive fair lending issues that warranted more detailed review.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the Lending Test is rated High Satisfactory. Based on this full-scope review, the bank's performance in its AA is good.

Lending Activity

Refer to Tables 1 and 14 in Appendix C for the facts and data used to evaluate the bank's lending activity.

Approximately 52% of the total consumer loans, home mortgage loans and small loans to businesses originated/purchased in the bank's AA during the evaluation period were consumer loans. Home mortgage loans comprised 32% of the total and small business loans 16%. Agricultural lending was not a primary business line of HB Palatine and no small loans to farms were made during the evaluation period.

Approximately 47% of the total consumer loans were home equity loans. Other unsecured loans comprised 37%, motor vehicle loans comprised 12% and other secured loans comprised 4% of the consumer loans originated/purchased.

Among home mortgage loans originated/purchased, approximately 70% were for refinance, 24% for home purchase and 6% for home improvement.

HB Palatine's lending activity was good in its AA, considering the high level of competition from non-bank lenders. According to the FDIC's June 30, 1999 deposit market share report, HB Palatine had a 0.37% deposit market share of the 216 FDIC insured financial institutions with branches in Cook County. Based on 1998 aggregate home mortgage market share data, HB Palatine had a market share of 0.03% and ranked 200th of 495 lenders making home purchase loans and had a market share of 0.10% and ranked 126th of 543 lenders making refinance loans. The bank's market share increases to 0.28% for home purchase loans and to 0.39% for refinance loans when the HTSB allocated mortgage loans are included. Mortgage companies were significant lenders in the bank's AA, with the top five capturing over 20% of the market for both home purchase and refinance loans. HB Palatine had a market share of 0.8% and ranked 26th of 177 lenders making home improvement loans. Based on 1998 aggregate market data on loans to small businesses, HB Palatine had a market share of 0.3% and ranked 53rd of 290 lenders making small loans to businesses. The top three lenders making small loans to businesses were non-bank credit card lenders that captured 35% of the market.

Distribution of Loans by Income Level of the Geography

Home Mortgage Loans

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

There were no low-income census tracts and one moderate-income census tract in the bank's AA. There were no home mortgage loans made in the one moderate-income census tract. This would indicate very poor performance in this census tract. However, this is primarily an industrial area which has 1,317 housing units, 96% of which were owner occupied mobile homes. The bank stated that it did not have the products or the expertise to make this type of loan. More weight was given to the borrower distribution of home mortgage loans than to the geographic distribution in evaluating the bank's lending performance.

Small Loans to Businesses

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

There were no low-income census tracts and one moderate-income census tract in the bank's AA. The bank's geographic distribution of loans to small businesses in the moderate-income census tract was excellent. The portion of loans made to small businesses in the moderate-income census tract was double the portion of small businesses located in the moderate-income census tract.

Small Loans to Farms

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms. Agricultural lending is not a business focus of the bank and no small loans to farms were made during the evaluation period.

Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

There were no low-income census tracts and one moderate-income census tract in the bank's AA. There were no consumer loans made in the one moderate-income census tract. This would indicate very poor performance in this census tract. Since this moderate-income census tract comprises only one percent of the census tracts, more weight was given to the borrower distribution of home mortgage loans than to the geographic distribution in evaluating the bank's lending performance.

Lending Gap Analysis

Maps and reports detailing HB Palatine's lending activity over the evaluation period for home mortgage loans, consumer loans and small loans to businesses were reviewed to identify gaps in the geographic distribution of those loans. No unexplained conspicuous gaps were identified.

Inside/Outside Ratio

A majority of the home mortgage loans, small loans to businesses and consumer loans originated/purchased by HB Palatine over the evaluation period were within its AA. Eighty-seven percent of the bank's home mortgage loans, 66% of the small loans to businesses and 77% of consumer loans were within the bank's AA. This information includes bank originations and purchases only and does not include extensions of credit by affiliates that are being considered under the other performance criteria. This performance was positively factored into the overall analysis of the bank's lending performance.

Distribution of Loans by Income Level of the Borrower

The borrower distribution of HB Palatine's home mortgage loans, small loans to businesses and consumer loans reflected a good dispersion among borrowers of different income levels throughout the bank's AA.

Home Mortgage Loans

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases. Borrower income information was not available for 25% of the bank's home purchase loans, 13% of the home improvement loans, and 34% of the refinance loans, which could have affected the respective percentages of loans to low- and moderate-income borrowers. The available data were considered reasonably reliable to draw a conclusion on the bank's performance under this criterion.

The overall borrower distribution of home purchase loans was excellent. The portion of home purchase loans made to both low- and moderate-income borrowers exceeded the percentage of low-income and moderate-income families living in the AA. Considering that approximately 3% of the families living in the bank's AA were below the poverty level, the high median home value in the bank's AA was a barrier to home ownership for low-income borrowers. The market share for both low- and moderate-income borrowers equaled HB Palatine's overall market share in the AA for home purchase loans, which was less than 0.1%.

Home improvement loan borrower distribution was good. The portion of home

improvement loans made to low-income borrowers exceeded and to moderate-income borrowers was below the portion of low-income families and moderate-income families living in the AA. However, because of the high cost of housing, only a small percentage of low- and moderate-income families own their own homes and would have the opportunity to improve them. The bank ranked twenty-sixth of 177 lenders in making home improvement loans in its AA. The market share to low-income borrowers significantly exceeded its overall market share while its market share to moderate-income borrowers was below its overall market share for home improvement loans.

Refinance loan borrower distribution was good. The portion of refinance loans made to both low- and moderate-income borrowers was below the percentage of low-income and moderate-income families living in the AA. However, because of the high cost of housing, only a small percentage of low- and moderate-income families own their own homes and would have the opportunity to refinance them. The bank's market share to both low- and moderate-income borrowers was below its overall market share for refinance loans.

Small Loans to Businesses

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The borrower distribution of small loans to businesses was adequate. The portion of HB Palatine's loans to businesses with revenues of \$1 million or less was below the portion of businesses that are defined as such. The portion of loans of \$100,000 or less exceeded the portion of businesses that are defined as small. In addition, the market share of small loans made to small businesses nearly equaled HB Palatine's overall market share for small loans to all businesses in its AA.

Small Loans to Farms

Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses. Agricultural lending was not a primary business line of HB Palatine and no small loans to farms were made during the evaluation period.

Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

Consumer loan borrower distribution was good. The portion of consumer loans to both

low- and moderate-income borrowers was slightly below the portion of low- and moderate- income households in HB Palatine's AA. However, almost half of the total consumer loans were home equity loans. Because of the high cost of housing, only a small percentage of low- and moderate-income families own their own homes and would have the opportunity to obtain home equity loans.

Community Development Lending

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

HB Palatine extended a significant amount of community development loans during the evaluation period in relation to its size and resources. Therefore, the CD lending had a positive impact on the Lending Test conclusions for the AA.

During the evaluation period, HB Palatine originated the following loans for community development purposes:

HB Palatine originated five loans to non-profit condominium associations within the bank's AA, totaling \$2,350,658, to finance repairs to housing developments. While all of the projects are located in upper-income census tracts, an analysis of economic and market data supports that this project will primarily accommodate low- or moderate-income individuals. Property values of similar properties sold within the last year range from \$70,000 - \$155,000. Considering market rate interest rates and monthly assessments, mortgage payments would be below the maximum affordable monthly housing cost (\$1,276) for a moderate-income family within the Chicago MSA, as defined by the National Low Income Housing Coalition.

During the evaluation period, HB Palatine also purchased participations in three CD loans, totaling \$394,986. These loans were made to the Chicago Equity Fund (CEF) 1998 and 2000 Limited Partnerships and Community Reinvestment Fund (CRF) 1997 Limited Partnership to provide equity for community development eligible projects. CEF and CRF determine the specific projects they will fund. CEF is a nonprofit real estate investment fund with the purpose of developing and operating affordable multifamily rental housing projects and related commercial facilities in Chicago-area neighborhoods. Most of the investments are to be made in socio-economically-disadvantaged neighborhoods of Chicago and, to a lesser extent, suburban Chicago. The CRF is a nonprofit organization that acquires limited partnership interest in various project partnerships engaging in qualified community revitalization and economic development projects within communities in the Chicago area. These loans benefited the broader metropolitan area that includes the bank's AA.

INVESTMENT TEST

The bank's performance under the Investment Test is rated Outstanding. Based on this full-scope review, the bank's performance in its AA was excellent.

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

In its investing activities, HB Palatine exhibited a very high level of responsiveness to credit and community development needs. The bank's AA represented a small portion of a large metropolitan area where many investment opportunities were available to assist with needs within the various communities. However, within the bank's AA, qualifying CD investment opportunities were limited. The bank devoted its efforts in contributing to those investments that provide the most direct benefit to its AA.

The bank provided qualified investments within its AA through cash and in-kind contributions and grants, and purchases of securities. Qualifying investments during this evaluation period totaled \$2,618,061. Specific noteworthy investments included:

- Village of Libertyville, IL, Affordable Housing Revenue Bonds (Liberty Towers Project) - Represents affordable housing revenue bonds issued by the Village of Libertyville, IL. The purpose of the bonds is to finance the acquisition of a 121-unit residential rental housing project located in Libertyville, IL and occupied, in part, by low-income, elderly and handicapped persons who are eligible for Section 8 housing assistance in the form of rent subsidies. Presently, rents on 100% of the units in the Project are subsidized under Section 8 Housing Assistance Payments Program. HB Palatine purchased two bonds, totaling \$190,000.
- Palatine, IL Multifamily Housing Revenue Bonds (Prairiebrook Apartments) - Represents affordable housing revenue bonds issued by the Village of Palatine, IL. The purpose of the bonds are to fund a permanent mortgage loan to Prairiebrook Venture, which was originally formed in 1977 to construct and equip a 320-unit multifamily rental project known as "Prairiebrook". Seventy percent of the units receive Section 8 or other government assistance. HB Palatine purchased two bonds, totaling \$460,000.
- HTSB, the bank's affiliate, invested in twenty-two mortgage-backed securities totaling more than \$49 million. The securities were backed by home mortgage loans originated to low- and moderate-income individuals throughout the Chicago MSA. HTSB allocated portions of the securities to its affiliate banks based on the benefit to each affiliate's AA according to the property location of the underlying mortgage loans. Positive consideration was given to portions of 20 securities with underlying mortgage loans totaling \$1,153,780 that were allocated to and directly benefited HB Palatine's AA.

Additional donations and grants were provided to organizations with a community development focus. HB Palatine contributed to 20 different community development

organizations, totaling \$45,955 during the evaluation period.

At the previous CRA evaluation, HB Palatine purchased an \$800,000 Palatine Park District bond to renovate a former school building. The facility serves as a senior center serving primarily low-or moderate-income individuals. The bond currently has an outstanding balance of \$768,326.

SERVICE TEST

The bank's performance under the Service Test is rated High Satisfactory. This conclusion is based on the following:

- Delivery systems were accessible to geographies and individuals of different income levels in its AA.
- The bank closed one drive-up branch this rating period. The closure did not adversely affect the accessibility of its delivery systems.
- Services did not vary in a way that inconveniences certain portions of the AA.
- The institution provided a good level of community development services.

Retail Banking Services

Refer to Table 13 for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

HB Palatine's delivery systems were accessible to geographies and individuals of different income levels in its AA. HB Palatine has seven branch office locations. While there are no low- and one moderate-income census tract in the AA, the bank's total lending activity during the evaluation period showed that it served nearly all (97%) census tracts. The bank penetrated 80% of the census tracts with home mortgage loans and 90% with consumer loans. The bank's lending activity also showed that it served individuals of all income levels. As discussed in the Lending Test section of this evaluation, the bank had a good dispersion of home mortgage and consumer loans to borrowers of different income levels, including low- and moderate-income borrowers.

In July 1999, the bank closed the drive-up branch located 500 yards from the main bank. The branch was located in an upper-income census tract. The branch did not originate any deposit or loan accounts so there are no specific accounts attached to this branch. The branch's use had dwindled, as it is located in an abandoned shopping center. Activity is expected to further decline, as the train station adjacent to the shopping center is moving closer to downtown Palatine. The closing of this drive-up branch, located in an upper-income census-tract, had no measurable impact on the one

moderate-income geography in the bank's AA.

The bank's hours are as follows: Monday through Thursday from 9:00 a.m. to 4:30 p.m., with the exception of the Golf Road, Rolling Meadows location which is open from 9:00 a.m. to 3:00 p.m. On Friday, the bank is open from 9:00 a.m. to 6:00 p.m., with the exception of Golf Road, Rolling Meadows which is open from 9:00 a.m. to 3:00 p.m., and the two Schaumburg locations which are open from 9:00 a.m. to 4:30 p.m. On Saturday, the three Palatine locations and the Plum Grove Rolling Meadows location are open from 9:00 a.m. to 12:00 p.m. The other three locations are closed on Saturday. There are no differences in the services available at the different locations.

HB Palatine has five ATMs, one at the main office, two at middle-income branches, and two at upper-income branch locations. Additionally, Harris customers can also use any of the approximately 210 Harris ATMs in the Chicagoland area for no charge.

The bank provided other alternative delivery systems, as detailed below. These systems were available to all customers. There were no data available specifically concerning the use of these systems by low- and moderate-income customers. Therefore, we did not place significant weight on these services in the Service Test conclusions.

- Harris Bank has a Client Contact Center. The Contact Center enables a customer to have easy access to banking services. The Center provides general deposit services such as stop payments, account closings, and transfers between accounts. The Center also provides loan services such as consumer loan applications, payoff requests, and rate information. The Center is staffed Monday through Friday from 7:00 a.m. to 10:00 p.m. and Saturday from 8:00 a.m. to 5:00 p.m. The Center has employees who are able to speak eight different languages.
- The Client Contact Center's telephone system provides access to the Single Family Mortgage Call Center. The Call Center has approximately 12-14 mortgage originators responding to phone calls. Originators are available on a 24-hour basis, 7 days a week. Additionally, the originators will meet potential applicants in locations convenient to the applicant, including their home.
- Customers can also bank online (Mbanx). Using Mbanx, a customer can apply for deposit accounts and loans, access account information, obtain product information, pay bills, transfer money between accounts, stop payments, order checks and make address changes. It also allows access to customer service representatives.
- Each week, HB Palatine's staff visits two local senior residential centers to provide

banking services to seniors who are unable to get to the bank. Services include cashing checks, accepting deposits, and opening accounts. Additionally, the bank participates in a Bank at School program in which the children can make deposits at their school.

- Customers can also use Harris' bank-by-phone system that operates 24 hours, seven days a week.

Community Development Services

HB Palatine's performance in providing services in its AA is good. The bank provided a relatively high level of CD services that were responsive to the credit and community development needs of its AA.

The bank provided financial services that benefit low- and moderate- income individuals. In addition, bank personnel used their financial expertise to aid several organizations that provide services to low- and moderate-income individuals in the bank's AA. The following are representative of the types of CD services provided by the bank:

- Harris banks participated in the Illinois Link EBT cards introduced by the Department of Public Aid. This system allows recipients to access their benefits through Cash Station ATMs. ATM access allows multiple draws of the monthly benefits. Harris estimates that approximately 6,000 transactions each month occur at Harris Bank ATMs.
- Two bank officers were active with Women in Need Growing Stronger (WINGS). WINGS is a transitional housing program that provides counseling, affordable housing and day care to break the cycle of homelessness. One bank Vice President sits on the board of directors as well as on advisory committees for the homes. Another Vice President participated in three workshops to provide WING's clients assistance with income tax preparation. The bank provides free checking and savings accounts to all WINGS clients.
- HB Palatine sponsored an educational seminar at the bank to assist first-time homebuyers on mortgage applications. This included a presentation on the bank's mortgage programs geared to low- and moderate-income individuals.
- The bank also manned a booth at the Northwest Housing Partnership Home Fair. The purpose of the fair was to provide one stop shopping for first time and repeat homebuyers. A special outreach effort was made to low- and moderate-income families.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term Δ Full-Scope Δ) and those that received a less comprehensive review (designated by the term Δ Limited-Scope Δ).

| | | |
|--|--|-------------------------------------|
| Time Period Reviewed | Lending Test (excludes CD Loans): 01/01/1998 to 12/31/1999 Investment and Service Tests and CD Loans: 08/10/1998 to 05/22/00 | |
| Financial Institution | Products Reviewed | |
| Harris Bank Palatine, N.A. Palatine, Illinois | Home mortgage loans, small loans to businesses, consumer loans and community development loans | |
| Affiliate(s) | Affiliate Relationship | Products Reviewed |
| Harris Trust and Savings Bank Chicago, Illinois | Bank Affiliate | Home mortgage loans and investments |
| List of AAs and Type of Examination | | |
| AA | Type of Exam | Other Information |
| Portions of Cook, Lake and DuPage Counties in Chicago MSA #1600 | Full-Scope | |

Appendix B: Market Profile for Full-Scope Area

HB Palatine's AA in Portions of the Chicago MSA

| Demographic Information for Full-Scope Area: | | | | | | |
|---|------------|----------------------|--------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs) | 90 | 0.00 | 1.11 | 31.11 | 66.67 | 1.11 |
| Population by Geography | 536,088 | 0.00 | 0.63 | 32.31 | 67.06 | 0.00 |
| Owner-Occupied Housing by Geography | 146,542 | 0.00 | 0.83 | 27.06 | 72.11 | 0.00 |
| Businesses by Geography | 24,046 | 0.00 | 2.39 | 40.09 | 57.37 | 0.15 |
| Farms by Geography | 357 | 0.00 | 0.28 | 22.97 | 76.75 | 0.00 |
| Family Distribution by Income Level | 144,746 | 6.77 | 12.01 | 23.62 | 57.60 | 0.00 |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies | 27,181 | 0.00 | 1.64 | 44.53` | 53.83 | 0.00 |
| Median Family Income | = \$42,758 | Median Housing Value | | | | = \$108,960 |
| HUD Adjusted Median Family Income for 1998 | = \$63,800 | Unemployment Rate | | | | = 4.55% |
| Households Below the Poverty Level | = 10.45 | | | | | |

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 U.S. Census, and 1999 HUD updated MFI.

The bank's 1999 AA consists of a portion of the Chicago MSA. It includes 90 census tracts located in northwestern Cook County, southwestern Lake County and northeastern DuPage County. There are no low-income census tracts and one moderate-income census tract in the AA. Twenty-eight (31%) are middle-income census tracts and 60 (67%) are upper-income. There is one census tract that is not designated by income level. This census tract contains a forest preserve and a golf course and has very few residents. HB Palatine's AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income areas.

The 1999 HUD adjusted median family income for the MSA is \$63,800, an increase of 49% from the 1990 median family income. Based on 1990 family income, seven percent of the families in the bank's AA are low-income and twelve percent are moderate-income.

The total population at the 1990 census was 536,088, with less than one percent of the population living in moderate-income census tracts, 32% in middle-income census tracts and 67% in upper-income census tracts.

The bank's AA is in an affluent section of the Chicago MSA, which has newer housing stock, a lower percentage of rental units, and higher housing costs than the overall MSA. There are 206,335 total housing units in the AA. The large majority of the housing units are owner occupied (71%). Only 24% are occupied rental units. The weighted average median housing cost is \$156,825, with the average age of housing units approximately 27 years old. Overall, the cost of housing in the area is high in relation to the entire Chicago MSA where the median housing value is \$108,960. There are limited opportunities for first time or entry level home-buyers in the local housing market.

The local economy is generally stable. Sixty-four percent of the businesses in the area have gross revenues of less than \$1 million. The AA contains a good mix of local employers and commuters to downtown Chicago. The primary industry is services (40%) followed by retail trade (16%) and wholesale trade (12%). The 1999 unemployment rate in HB Palatine's AA was low at 1.7%, less than the Chicago MSA, which was 4.55%. Since the 1990 census data was collected, the area has experienced rapid growth, with retail and housing development projects replacing much of the farmland. Major employers in the area are Ameritech, AT&T, Motorola, Northrop-Grumman Corporation, Woodfield Mall, Kemper Insurance, Quaker Oats, United Airlines, IBM and Honeywell.

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the Δ bank include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/AA; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/AA.

The following is a listing and brief description of the tables:

Table 1. Lending Volume Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/AA.

Table 2. Geographic Distribution of Home Purchase Loans Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 3. Geographic Distribution of Home Improvement Loans See Table 2.

Table 4. Geographic Distribution of Refinance Loans See Table 2.

Table 5. Geographic Distribution of Small Loans to Businesses The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 6. Geographic Distribution of Small Loans to Farms The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 7. Borrower Distribution of Home Purchase Loans** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/AA. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Qualified Investments** Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.
- Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/AA.

The table also presents data on branch openings and closings in each MSA/AA.

Table 14. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)
geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of the population within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage of households by income level in each MSA/AA.

Table 1. Lending Volume

| LENDING VOLUME | | | | | | | | | | State: Illinois | | Evaluation Period: 1/1/1998 to 12/31/1999 | |
|----------------------------|-------------------------------------|-----------------|------------|-----------------------------|------------|------------------------|------------|--------------------------|------------|----------------------|------------|---|--|
| MSA/Assessment Area: | % of Rated Area Deposits in MSA/AA* | Home Mortgage** | | Small Loans to Businesses** | | Small Loans to Farms** | | Community Development*** | | Total Reported Loans | | % of Rated Area Loans(# in MSA/AA | |
| | | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | | |
| Full-Scope: | | | | | | | | | | | | | |
| HB Palatine AA in MSA 1600 | 100.00 | 545 | 70,131 | 269 | 37,422 | 0 | 0 | 8 | 2,746 | 822 | 110,299 | 100.00 | |

(*) Deposit data as of June 30, 1999.

(**) The evaluation period for Home Mortgage Loans, Small Loans to Businesses and Small Loans to Farms is 1/1/1998 to 12/31/1999

(***) The evaluation period for Community Development Loans is 8/10/1998 to 5/22/2000

Table 2. Geographic Distribution of Home Purchase Loans

| Geographic Distribution: HOME PURCHASE | | | | | | | | | | State: Illinois | | Evaluation Period: 1/1/1998 to 12/31/1999 | | |
|--|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|----------------------|----------------------------|------|---|---------------------------|-----|
| MSA/Assessment Area: | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall Market Rank* | Market Share by Geography* | | | Total Home Purchase Loans | |
| | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | | Overall | Low | Mod | | Upp |
| Full-Scope: | | | | | | | | | | | | | | |
| HB Palatine AA in MSA 1600 | 0.00 | 0.00 | 1.00 | 0.00 | 27.00 | 19.00 | 72.00 | 81.00 | 200 | 0.03 | 0.00 | 0.00 | 0.00 | 128 |

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

(**) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 3. Geographic Distribution of Home Improvement Loans

| Geographic Distribution: HOME IMPROVEMENT State: Illinois Evaluation Period: 1/1/1998 to 12/31/1999 | | | | | | | | | | | | | | | | |
|---|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|----------------------|-------------|----------------------------|------|------------------------------|------|----|--------------|
| MSA/Assessment Area: | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall Market Rank* | | Market Share by Geography* | | Total Home Improvement Loans | | | |
| | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | Overall | Market Rank | Low | Mod | Mid | Upp | # | % of Total** |
| | Full-Scope: | | | | | | | | | | | | | | | |
| HB Palatine AA in MSA 1600 | 0.00 | 0.00 | 1.00 | 0.00 | 27.00 | 24.00 | 72.00 | 76.00 | 26 | 0.80 | 0.00 | 0.00 | 0.40 | 1.00 | 34 | 100.00 |

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

(**) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

| Geographic Distribution: HOME MORTGAGE REFINANCE State: Illinois Evaluation Period: 1/1/1998 to 12/31/1999 | | | | | | | | | | | | | | | | |
|--|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|----------------------|-------------|----------------------------|------|-------------------------------------|------|-----|--------------|
| MSA/Assessment Area: | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall Market Rank* | | Market Share by Geography* | | Total Home Mortgage Refinance Loans | | | |
| | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | Overall | Market Rank | Low | Mod | Mid | Upp | # | % of Total** |
| | Full-Scope: | | | | | | | | | | | | | | | |
| HB Palatine AA in MSA 1600 | 0.00 | 0.00 | 1.00 | 0.00 | 27.00 | 16.00 | 72.00 | 84.00 | 126 | 0.10 | 0.00 | 0.00 | 0.10 | 0.10 | 383 | 100.00 |

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

(**) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 5. Geographic Distribution of Small Loans to Businesses

| Geographic Distribution: SMALL LOANS TO BUSINESSES | | | | | | | | | | State: Illinois | | | Evaluation Period: 1/1/1998 to 12/31/1999 | | | |
|--|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|----------------------|----------------------------|------|------|---|------|-----|--------------|
| MSA/Assessment Area: | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall Market Rank* | Market Share by Geography* | | | Total Small Business Loans | | | |
| | % of Businesses | % BANK Loans | % of Businesses | % BANK Loans | % of Businesses | % BANK Loans | % of Businesses | % BANK Loans | | Overall | Low | Mod | Mid | Upp | # | % of Total** |
| Full-Scope: | | | | | | | | | | | | | | | | |
| HB Palatine AA in MSA 1600 | 0.00 | 0.00 | 2.00 | 4.00 | 40.00 | 53.00 | 57.00 | 43.00 | 53 | 0.30 | 0.10 | 0.10 | 0.40 | 0.30 | 269 | 100.00 |

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

(**) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

Table 6. Geographic Distribution of Small Loans to Farms

| Geographic Distribution: SMALL LOANS TO FARMS | | | | | | | | | | State: Illinois | | | Evaluation Period: 1/1/1 998 to 12/31/1999 | | | |
|---|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|----------------------|----------------------------|------|------|--|------|---|--------------|
| MSA/Assessment Area: | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall Market Rank* | Market Share by Geography* | | | Total Small Farm Loans | | | |
| | % of Farms | % BANK Loans | % of Farms | % BANK Loans | % of Farms | % BANK Loans | % of Farms | % BANK Loans | | Overall | Low | Mod | Mid | Upp | # | % of Total** |
| Full-Scope: | | | | | | | | | | | | | | | | |
| HB Palatine AA in MSA 1600 | 0.00 | 0.00 | 0.00 | 0.00 | 23.00 | 0.00 | 77.00 | 0.00 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 |

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

(**) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

Table 7. Borrower Distribution of Home Purchase Loans

| Borrower Distribution: HOME PURCHASE | | State: Illinois | | Evaluation Period: 1/1/1998 to 12/31/1999 | | | | | | | | |
|--------------------------------------|----------------------|---------------------------|-------------------------|---|-----------------------|-----------------------------------|---------------------------|---------|------|------|-----|--------|
| MSA/Assessment Area: | Low-Income Borrowers | Moderate-Income Borrowers | Middle-Income Borrowers | Upper-Income Borrowers | Overall Market Rank** | Market Share by Borrower Income** | Total Home Purchase Loans | | | | | |
| | % of Families | % of Families | % of Families | % of Families | | | | Overall | Low | Mod | Mid | Upp |
| Full-Scope: | | | | | | | | | | | | |
| HB Palatine AA in MSA 1600 | 7.00 | 12.00 | 24.00 | 58.00 | 200 | 0.03 | 0.00 | 0.03 | 0.02 | 0.03 | 128 | 100.00 |

(*) As a percentage of loans with borrower income information available. No information was available for 25% of loans originated and purchased by the bank.

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

(***) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 8. Borrower Distribution of Home Improvement Loans

| Borrower Distribution: HOME IMPROVEMENT | | State: Illinois | | Evaluation Period: 1/1/1998 to 12/31/1999 | | | | | | | | |
|---|----------------------|---------------------------|-------------------------|---|-----------------------|-----------------------------------|------------------------------|---------|------|------|-----|--------|
| MSA/Assessment Area: | Low-Income Borrowers | Moderate-Income Borrowers | Middle-Income Borrowers | Upper-Income Borrowers | Overall Market Rank** | Market Share by Borrower Income** | Total Home Improvement Loans | | | | | |
| | % of Families | % of Families | % of Families | % of Families | | | | Overall | Low | Mod | Mid | Upp |
| Full-Scope: | | | | | | | | | | | | |
| HB Palatine AA in MSA 1600 | 7.00 | 12.00 | 24.00 | 58.00 | 26 | 0.80 | 1.70 | 0.30 | 0.50 | 1.20 | 34 | 100.00 |

(*) As a percentage of loans with borrower income information available. No information was available for 13% of loans originated and purchased by the bank.

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

(***) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 9. Borrower Distribution of Home Mortgage Refinance Loans

| Borrower Distribution: HOME MORTGAGE REFINANCE | | State: Illinois | | Evaluation Period: 1/1/1998 to 12/31/1999 | | | | | | | |
|--|----------------------|---------------------------|-------------------------|---|-----------------------|-----------------------------------|------|------|-------------------------------------|-----|----------------|
| MSA/Assessment Area: | Low-Income Borrowers | Moderate-Income Borrowers | Middle-Income Borrowers | Upper-Income Borrowers | Overall Market Rank** | Market Share by Borrower Income** | | | Total Home Mortgage Refinance Loans | | |
| | % of Families | % of Families | % of Families | % of Families | | Overall | Low | Mod | | Upp | % of Total**** |
| HB Palatine AA in MSA 1600 | 7.00 | 12.00 | 24.00 | 58.00 | 126 | 0.10 | 0.00 | 0.10 | 0.00 | 383 | 100.00 |
| Full-Scope: | | | | | | | | | | | |

(*) As a percentage of loans with borrower income information available. No information was available for 34% of loans originated and purchased by the bank.
 (**) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.
 (***) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 10. Borrower Distribution of Small Loans to Businesses

| Borrower Distribution: SMALL LOANS TO BUSINESSES | | State: Illinois | | Evaluation Period: 1/1/1998 to 12/31/1999 | | | | | |
|--|---|---|--|---|-------------------------|---------------------------------|----------------|-----|--------|
| MSA/Assessment Area: | Businesses with Revenues of \$1 million or less | Businesses with Revenues of \$1 million or less | Loans by Original Amount Regardless of Business Size | Market Share*** | | Total Small Loans to Businesses | | | |
| | % of Businesses* | % BANK Loans** | > \$100,000 to \$250,000 | All | Rev \$1 million or less | | % of Total**** | | |
| HB Palatine AA in MSA 1600 | 64.46 | 48.70 | 66.17 | 15.99 | 17.84 | 0.30 | 0.28 | 269 | 100.00 |
| Full-Scope: | | | | | | | | | |

(*) Businesses with revenues of \$1 million or less as a percentage of all businesses.
 (**) Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0% of small loans to businesses originated and purchased by the bank.
 (***) Based on 1998 Aggregate Small Business Data only.
 (****) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

Table 11. Borrower Distribution of Small Loans to Farms

| Borrower Distribution: SMALL LOANS TO FARMS | | State: Illinois | | Evaluation Period: 1/1/1998 to 12/31/1999 | | | |
|---|--|-----------------|--|---|-----------------|-------------------------|------------------------|
| MSA/Assessment Area: | Farms with Revenues of \$1 million or less | | Loans by Original Amount Regardless of Farm Size | | Market Share*** | | Total Small Farm Loans |
| | % of Farms* | % BANK Loans** | \$100,000 or Less | > \$100,000 to \$250,000 | All | Rev \$1 million or less | |
| HB Palatine AA in MSA 1600 | 90.76 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0 |
| | | | | | | | |
| Full-Scope: | | | | | | | |
| | | | | | | | |
| | | | | | | | |

(*) Farms with revenues of \$1 million or less as a percentage of all farms.
 (***) Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0% of small loans to farms originated and purchased by the bank.
 (****) Based on 1998 Aggregate Small Farm Data only.
 (*****) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

Table 12. Qualified Investments

| QUALIFIED INVESTMENTS | | State: Illinois | | Evaluation Period: 8/10/1998 to 5/22/2000 | | | |
|----------------------------|---------------------------|-----------------|----------------------------|---|-------------------|------------|------------------------|
| MSA/Assessment Areas: | Prior Period Investments* | | Current Period Investments | | Total Investments | | Unfunded Commitments** |
| | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | |
| HB Palatine AA in MSA 1600 | 1 | 768 | 44 | 1,850 | 45 | 2,618 | 0 |
| | | | | | | | |
| | | | | | | | |
| Full-Scope: | | | | | | | |
| | | | | | | | |
| | | | | | | | |

(*) A Prior Period Investments Δ means investments made in a previous evaluation period that are outstanding as of the examination date.
 (***) A Unfunded Commitments Δ means legally binding investment commitments that are tracked and reported by the bank's financial reporting system.

Table 13. Distribution of Branch Delivery System and Branch Openings/Closings

| DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS | | | | | | | | | | | | State: Illinois | | | Evaluation Period: 1/1/1998 to 12/31/1999 | | | | | | | |
|---|------------------------------------|--------------------|------------------------------------|---|-----|-------|--------------------------|----------------------|---|------------|-----|---|-----|-----|---|-------|-------|--|--|--|--|--|
| MSA/Assessment Area: | Deposits | | Branches | | | | Branch Openings/Closings | | | Population | | | | | | | | | | | | |
| | % of Rated Area Deposits in MSA/AA | # of BANK Branches | % of Rated Area Branches in MSA/AA | Location of Branches by Income of Geographies | | | # of Branch Openings | # of Branch Closings | Net Change in Location of Branches (+ or -) | | | % of the Population within Each Geography | | | | | | | | | | |
| | | | | Low | Mod | Upp | | | Low | Mod | Upp | Low | Mod | Upp | | | | | | | | |
| Full-Scope: | | | | | | | | | | | | | | | | | | | | | | |
| HB Palatine AA in MSA 1600 | 100.00 | 7 | 100.00 | 0 | 0 | 57.14 | 42.86 | 1 | 0 | 0 | 0 | 0 | -1 | 0 | 0.63 | 32.31 | 67.06 | | | | | |

Table 14. Geographic and Borrower Distribution of Consumer Loans (Optional)

| Geographic and Borrower Distribution: CONSUMER LOANS | | | | | | | | | | | | State: Illinois | | | Evaluation Period: 1/1/1998 to 12/31/1999 | | | | | | | | |
|--|-------------------------|--------------|-----------------------------|--------------|--------------------------|--------------|-----------------------|------------------|---------------------------|------------------|------------------------|------------------|----------------------|--------------|---|-----|--------|--|--|--|--|--|--|
| MSA/Assessment Area: | Geographic Distribution | | | | | | Borrower Distribution | | | | | | | | | | | | | | | | |
| | Low-Income Geographies | | Moderate-Income Geographies | | Upper-Income Geographies | | Low-Income Borrowers | | Moderate-Income Borrowers | | Upper-Income Borrowers | | Total Consumer Loans | | | | | | | | | | |
| | % of Pop* | % BANK Loans | % of Pop* | % BANK Loans | % of Pop* | % BANK Loans | % of Hshlds | % BANK Loans**** | % of Hshlds | % BANK Loans**** | % of Hshlds | % BANK Loans**** | # | % of Total** | | | | | | | | | |
| Full-Scope: | | | | | | | | | | | | | | | | | | | | | | | |
| HB Palatine AA in MSA 1600 | 0.00 | 0.00 | 0.63 | 0.00 | 32.31 | 15.5 | 84.5 | 6.77 | 5.00 | 12.01 | 9.27 | 23.62 | 15.2 | 57.60 | 39.5 | 877 | 100.00 | | | | | | |

(*) The percentage of the population in the MSA/assessment area that resides in these geographies.
 (**) Consumer loans originated and purchased in the MSA/AA as a percentage of all consumer loans originated and purchased in the rated area.
 (***) No income data were available for 31% of the consumer loans.