



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 27, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Republic Bank of Chicago
Charter Number 14399**

**1201 West Harrison Street
Chicago, Illinois 60607**

**Office of the Comptroller of the Currency
One Financial Place, Suite 2700
440 South LaSalle Street
Chicago, Illinois 60605**

NOTE: 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.

GENERAL INFORMATION

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

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **National Republic Bank of Chicago** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 27, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

Management has devoted sufficient resources to meeting the various credit needs within their assessment area which is the City of Chicago.

The bank has had a strong, average loan-to-deposit ratio since the last CRA examination in March 1994. The bank's dominant market is ethnic in nature. The bank has targeted the credit needs of Asian Americans especially in the hospitality industry, restaurant and fast foods industry, and in the franchised baked goods business. By lending to this targeted market, the bank has reached many low and moderate income areas of the City of Chicago.

There is no evidence of discrimination or disparate treatment of customers by the bank.

The following table indicates the performance level of National Republic Bank of Chicago with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>NATIONAL REPUBLIC BANK OF CHICAGO</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

National Republic Bank of Chicago is a \$67 million asset size institution located in the Near West Side community of the City of Chicago. The bank has one branch located on the city's north side, in the West Ridge community. Bank management has designated the City of Chicago as its stated assessment area. This designated assessment area complies with the requirements of the Community Reinvestment Act.

The bank's loan mix, by dollars outstanding at year end 1995, stood at 76% real estate loans, 21% commercial loans, and 3% consumer loans.

Management has targeted the financial needs of Asian Americans as a business niche. Bank ownership has strong ties to the Asian American business community. The bank developed its specialty through small business lending to this group, especially with loans in the hospitality industry, restaurant and fast food industry, and the franchised bakery goods business.

This specialty is apparent by the bank's lending activity in these areas:

- ▶ hospitality industry: \$7.2 million in loans which is 14% of total bank loans;
- ▶ restaurant and fast food: \$4.4 million of loan which represents 9% of total loans; and
- ▶ franchised bakery goods: \$2.8 million of loans which is 6% of bank total loans.

Presently, there are no limitations on the bank with respect to making loans outside the normal risks associated with lending.

DESCRIPTION OF THE ASSESSMENT AREA: THE CITY OF CHICAGO

The City of Chicago, third largest in the United States, is a major transportation hub and the economic center of the Midwestern part of the country. The city is part of MSA 1600. With no one industry dominating its economic scene, the city boasts a broad economic base which includes finance, manufacturing, transportation, information technology, education, health care, retail and the arts. There are seventy-five banks that have their main office within the city.

City census tract data shows that about 31% of the tracts are low income, 35% are moderate income, 26% middle income and 8% upper income. Median family income in the city is \$28,386.

In meetings with management and through community contacts, it is apparent that there is a need for small business lending in the city. Additionally, there is a need for housing loans, both for purchase and rehab of real estate.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN TO DEPOSIT RATIO:

In the past two years since the last CRA examination, the bank's average loan-to-deposit ratio has been very high at 78%. This exceeds standards for satisfactory performance, with similarly situated institutions having average loan to deposit ratios ranging from 20% to 80%.

LENDING IN ASSESSMENT AREA:

Our sampling of loans and internal management reports showed that the bank's record of lending within its assessment area meets standards for satisfactory performance as a majority of its loans are in its assessment area.

- From internal bank reports, we determined that 55% of the bank's total outstanding loans at year end 1995 are within the bank's assessment area.
- Real estate lending originated during 1995 showed that 63% of the bank's Home Mortgage Disclosure Act reportable loans were made within the bank's assessment area.
- Real estate lending in the Asian-Pacific Islander ethnic group is strong. From the twenty-seven Home Mortgage Disclosure Act reportable loans made during 1995, eight loans (29.6%) were made to this ethnic group. Three of these loans were made within the bank's assessment area.
- We determined from internal bank reports that 44% of the small business loans originated by the bank during 1995 were made inside the bank's assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES:

The bank has exceeded the standard for satisfactory performance in its distribution of credit within its assessment area as its lending to individuals of low and moderate-income and businesses of different sizes is more than reasonable given the bank's size and area demographics.

- From sampling approximately 30% of the commercial loans made during 1995 within the bank's assessment area, we found that about 80% were made to businesses with revenues less than one million dollars.
- Data for 1995 shows that of the twenty-seven Home Mortgage Disclosure Act reportable loans made by the bank, seventeen were within the assessment area. Of these seventeen loans, two loans were to applicants with low-income, nine loans were to applicants with

moderate-income, one loan was to an applicant with middle-income, and five were to applicants with upper-income.

GEOGRAPHIC DISTRIBUTION OF LOANS :

The bank meets the standards for satisfactory performance in the geographic distribution of its loans within its assessment area as its geographic distribution of loans is reasonable.

- Of the seventeen HMDA reportable loans made inside its assessment area during 1995, 47.1% were in low income census tracts and 35.3% in moderate income census tracts.
- Our census tract analysis of the bank's small business loans made within its assessment area showed that 18% were in low-income tracts, 25% in moderate-income census tracts, 36% in middle-income areas, and 20% in upper-income census tracts.
- Although there are certain sections of the City of Chicago where the bank has not made loans, this is not unreasonable given the bank's size and resources.

RESPONSE TO COMPLAINTS :

The bank has received no Community Reinvestment Act complaints since the last examination.

BANK'S RECORD OF COMPLYING WITH ANTIDISCRIMINATION LAWS :

No violations of substantive provisions of the antidiscrimination laws and regulations were identified at this examination. There is no evidence of any disparate treatment by the bank.