

PUBLIC DISCLOSURE

July 11, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Charter National Bank & Trust
Charter Number: 16880**

**2200 West Higgins Road
Hoffman Estates, Illinois 60195**

**Comptroller of the Currency
Chicago Duty Station - West
85 West Algonquin Road, Suite 340
Arlington Heights, Illinois 60005**

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 the 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 **Charter National Bank & Trust** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of July 11, 1997. 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.

The loan-to-deposit ratio is reasonable at 54.66%. A majority of loans are originated inside the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The distribution of borrowers indicates reasonable penetration among individuals of all income levels. There have been no CRA complaints since the last evaluation.

DESCRIPTION OF INSTITUTION

Charter National Bank and Trust (Charter Bank) is a wholly owned subsidiary of Northwest Bancorp, Inc., a one bank holding company. The bank is located in a large and stable suburb located approximately 35 miles northwest of downtown Chicago. Charter Bank has two full service branches located in Hanover Park and Schaumburg. In addition, the bank has a mortgage subsidiary, Charter Mortgage Company which acts as a mortgage broker but does not originate loans. As of May 31, 1997, the bank's asset size was \$112,000,000. Charter Bank's CRA performance has been impacted by efforts taken by management and the board of directors to control growth while focusing efforts to strengthen asset quality. As a result, the average of the quarterly loan-to-deposit ratios since May 30, 1995 is below 40%. However, since the last CRA evaluation, the loan-to-deposit ratio has risen to 54.66%.

Charter Bank offers a full range of loan products including mortgage and consumer loans, and commercial loans. Types of mortgage loans offered are government and conventional residential loans, fixed and adjustable rate loans, balloon loans, bi-weekly loans, refinances, and 3% down payment mortgages. Consumer loans include automobile loans, home equity lines of credit, home improvement loans, overdraft lines of credit, personal loans and student loans. The bank is currently focusing on increasing its home equity loans to borrowers within the assessment area.

At the last CRA evaluation, the Comptroller of the Currency rated the bank's performance "satisfactory".

DESCRIPTION OF THE ASSESSMENT AREA

Charter Bank defines its assessment area with the following borders: Route 60 (Townline Road) to the north; Route 31 and parts of Randall Road to the west; Route 64/North Avenue to the south; Lake Michigan to the east. The southeast portion of the assessment area includes the collar suburbs to the west, northwest and north of Chicago.

There are 251 census tracts within the assessment area comprised of 1 low-income, 6 moderate-income, 96 middle-income, and 148 upper-income census tracts. Using information from the 1990 US Census, there are 1,349,939 people and 365,752 families in the bank's assessment area. There are 505,318 housing units with a median housing value of \$167,466; and, 72.54% of the housing units are owner occupied. The median family income is \$58,427 which is 136.65% of the MSA average of \$42,758.

A CRA-related community contact revealed that the greatest credit need is for home equity loans. The Treasurer for the Village of Hoffman Estates explained that the area immediately surrounding the bank is stable with a few new subdivisions under construction. As this area is mature, residents tend to require home equity lines of credit. The economy in the area is strong with low unemployment and an expanding business sector. The area is attracting new hotel and restaurant development. Overall, economic development is encouraging.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

o Loan-To-Deposit Ratio

The loan-to-deposit ratio is reasonable at 54.66%. While the ratio is relatively low, it has increased significantly from the last evaluation when it was 27%. Management and the Board of Director's efforts to control loan growth has resulted in a relatively low average loan-to-deposit ratio of 38.47% since the last evaluation. For approximately one year ending late in 1996, the bank had established relationships with car dealers in Chicago and the southwest suburbs to purchase auto loans. However, a majority of these auto loans fell outside the bank's assessment area. These relationships ended in late 1996 and the level of auto loans is declining. Since 1996, the bank has been emphasizing home equity loans which are predominantly in the bank's assessment area.

Loan-To-Deposit Ratios Since Last CRA Evaluation

Date	6/30/1995	12/31/1995	12/31/1996	6/30/1997
Loan/Dep Ratio	26.81%	30.58%	47.31%	54.66%

Last CRA evaluation was performed on May 30, 1995

o Lending To Borrowers of Different Income Levels

The bank is satisfactorily originating loans to borrowers of all income levels. The following table uses data from a sample of 1997 home equity and automobile loans. Mortgage loans were not considered in this analysis as they are referred to the bank's subsidiary, Charter Mortgage Company. The table shows the number and percentage of loans to low-, moderate-, middle-, and upper-income borrowers within the assessment area.

1997 Home Equity and Automobile Loans

<i>Income Level</i>	Home Eq. Loans	% of Total Loans	Auto Loans	% of Total Loans
Low	2	12.50%	4	16.67%
Moderate	2	12.50%	6	25.00%
Middle	2	12.50%	10	41.66%
Upper	10	62.50%	4	16.67%
Totals	16	100.00%	24	100.00%

* Income information was not maintained for 1996 consumer loans.

As the following table shows, the bank's efforts to lend to borrowers of different income levels indicates reasonable penetration within the HMDA, home equity and automobile loan portfolios.

Percentage of Families Within Assessment Area By Income Level

Income Level	Low Income Families	Moderate Inc Families	Middle Inc Families	Upper Inc Families	Total
Percentage	8.23%	13.18%	23.62%	54.97%	100.00%

Data obtained from CRA Wiz reports

o Lending in the Assessment Area

A majority of loans have been originated inside the assessment area. Overall, the lending within the assessment area shows improvement in 1997 year-to-date versus 1996. (See table below.)

1996 Loan Data

Loan Type	\$ Volume of Loans Inside Assessment Area (1996)	% of Total Loans	# Volume of Loans Inside Assessment Area (1996)	% of Total Loans
Home Purchase	*		*	
Home Equity	\$9,654,530	75.78%	248	87.94%
Automobile	\$3,520,880	29.39%	266	31.86%
Commercial	\$2,534,056	32.44%	33	71.74%
Other	\$603,115	51.34%	50	66.67%

1996 HMDA-LAR/Bank Generated

1997 Loan Data

Loan Type	\$ Volume of Loans inside Assessment Area (1997 YTD)	% of Total Loans	# Volume of Loans inside Assessment Area (1997 YTD)	% of Total Loans
Home Purchase	*		*	
Home Equity	\$5,408,109	86.76%	110	85.94%
Automobile	\$1,129,558	58.08%	86	61.43%
Commercial	\$1,314,212	95.63%	9	90.00%
Other	\$182,699	97.60%	13	92.86%

1997 HMDA-LAR/Bank Generated

* Home purchase loans are referred to the bank's mortgage subsidiary, Charter Mortgage Co.

o Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Charter Bank has penetrated 67.33% or 169 out of 251 census tracts in 1996 and year to date 1997. The bank originated 3 loans in one of the moderate-income census tracts. Another moderate-income tract was the former Glenview Naval Air station that closed in 1996. The bank included the other 5 census tracts in its quarterly direct mailing efforts for home equity loans, but has received no responses. Also, U.S. Census data indicates that 63% or 3,265 housing units within those 5 census tracts are comprised of rental housing. The bank recognizes the lending opportunities in these tracts and continues to extend marketing efforts.

o Compliance With Antidiscrimination Laws

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified in the course of the evaluation.