

PUBLIC DISCLOSURE

November 30, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SHOREBANK DETROIT

RSSD Number: 2686453

10474 W. Jefferson Avenue
River Rouge, MI 48128

FEDERAL RESERVE BANK
OF CHICAGO

230 South LaSalle
Chicago, Illinois 60604

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 operations 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 **ShoreBank Detroit, River Rouge, Michigan** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **November 30, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S RATING: The institution is rated **Satisfactory**.

ShoreBank Detroit began operations in April 1998, assuming the offices and some of the assets of a failed bank. The bank currently meets the credit needs of its assessment area. The bank participates in the growth of the economy, given its size, financial capacity, and location as well as current economic conditions. A review of the bank's lending activity indicated that the bank originates credit consistent with the types of credit listed in its CRA statement.

The bank's efforts to provide economic growth consistent with its size is evidenced by a reasonable average loan-to-deposit ratio of 70.1% for the six quarters the bank has been in existence. A majority of the loans are originated within the assessment area (78% of the loans sampled), however, there is a poor penetration of loans throughout all of the bank's geographies. The bank has an excellent distribution of loans to borrowers of different income levels and loans to small business. There is no evidence of prohibited discriminatory lending practices, or policies intended to discourage individuals from applying for loans offered by the bank. Further, no complaints were received by the institution regarding its CRA performance since the bank's charter dated April 1998.

DESCRIPTION OF INSTITUTION

ShoreBank Detroit, with total assets of \$41.8 million as of December 31, 1998, is a subsidiary of Shorebank Corp, Chicago, Illinois, a multi-bank holding company. The bank has three full service offices. Two branches are located in the city of River Rouge, MI, and the main is office located on the Lower East Side of Detroit, Michigan. In addition the bank operates two cash dispensing ATM machines located in the city of Detroit and one full service ATM in the city of River Rouge.

Shorebank is a community development financial institution, offering traditional financial services primarily commercial and industrial loans, real estate and consumer loan products. The consumer loan

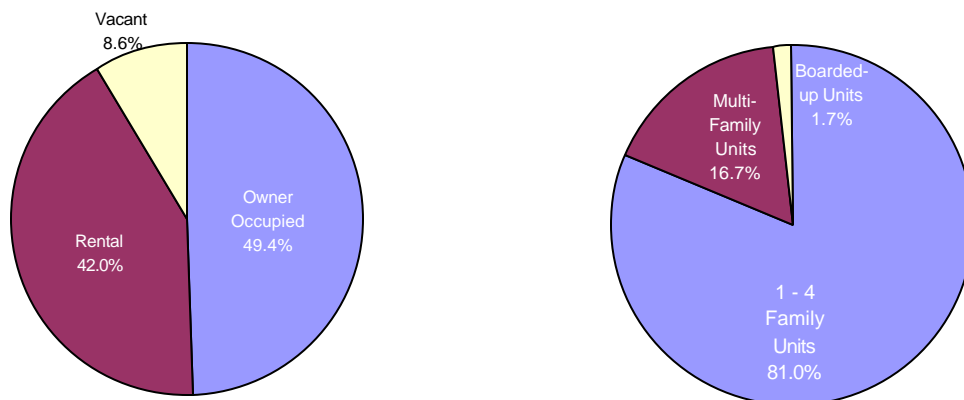
products include secured and unsecured direct installments, and overdraft protection. Based upon information contained in the June 30, 1999 Uniform Bank Performance Report (UBPR), the bank’s major credit products are one-to-four family real estate loans, which comprises 45.7% of the bank’s loan portfolio and commercial and industrial loans at 44%. Real estate lending is less than peer by 14%. The bank’s commercial and industrial loans exceed their peer group by 25.2%. Consumer loans represent 10.3% of the loan portfolio, which is less than peer by 5%.

The bank’s primary competitors are Comerica Bank (Detroit, MI), Michigan National Bank (Farmington Hills, MI) BankOne-Michigan, (Detroit, MI), Standard Federal Bank (Troy, MI), First Federal of Michigan (Cleveland, OH), First Independence National Bank of Detroit, and National City Bank of Michigan/Illinois (Bannockburn, IL). Numerous credit unions and check cashing facilities throughout the Detroit area provide additional competition.

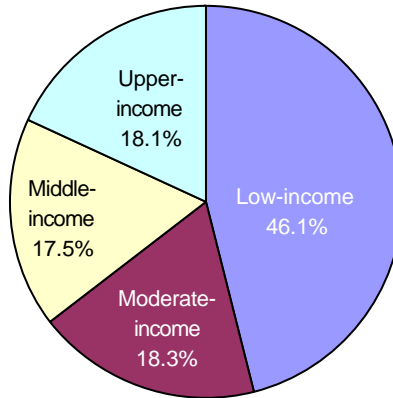
DESCRIPTION OF ASSESSMENT AREA

ShoreBank’s main office is located on the eastside of Detroit, Michigan, The bank’s assessment area consists of the cities Detroit and River Rouge, both located in Wayne County. Wayne County is part of the Detroit metropolitan statistical are (MSA). There are 327 census tracts located in the assessment area, with three of the census tracts located in River Rouge. There are 177 low-income census tracts and 92 moderate-income census tracts. In addition, there are 45 middle income census tracts and 13 upper income census tracts..

The assessment area’s housing market consists of 416,769 total housing units and are distributed as follows:



The assessment area’s distribution of families by income level is as follows:



Additionally, the 1999 Department of Housing and Urban Development average adjusted median family income for the bank’s assessment area is \$60,500.

The following chart illustrates the major employers in the assessment area according to bank management :

EMPLOYER	NUMBER OF EMPLOYEES	TYPE OF BUSINESS OR INDUSTRY
City of Detroit	17,302	Government
Detroit Public School System	17,286	Education
Detroit Medical Center	13,987	Health Care
Daimler/Chrysler AGM	12,571	Automotive Manufacturing
U. S. Government	11,735	Government
Henry Ford Health Systems	8,247	Health Care
River Rouge School District	360	Education
City of River Rouge	186	Government

According to the Michigan Employment Security commission, the 1999 annual average unemployment rate for the cities of Detroit and River Rouge are to date 7.1% and 6.0% respectively, which is higher than Wayne County’s unemployment rate at 4.2%, the state of Michigan at 4.1% and the National average of 4.8%. The higher unemployment rate is attributed to recent layoffs in the health care field due to the recent mergers and consolidations of some health care facilities.

The community contacts consulted stated that opportunities exist to stimulate low-or-moderate income areas within the county, especially for low-income housing, rental units and small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

FAIR LENDING

Management has implemented policies, procedures and training programs that have been effective in preventing illegal discrimination in lending. The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and Fair Housing Act.

PERFORMANCE STANDARDS

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit ratio, percentage of loans and other lending-related activities located in the bank's assessment area, record of lending to borrowers of different incomes and businesses of different sizes, geographic distribution of loans and record of taking action in response to written complaints. To determine CRA performance, these standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, a comparative analysis of the assessment area and the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.

LOAN-TO-DEPOSIT-RATIO

The bank's consolidated reports of condition and the UBPR were reviewed to evaluate the bank's volume of lending, loan mix, and how the bank's performance compares to its peer group and local competitors.

As of September 30, 1999, the bank's loan-to-deposit ratio was 68.3% and its peer group was 77.1%. The bank's average LTD ratio for the six quarters in existence, from June 30, 1998 through September 30, 1999 was 70.1%.

According to the UBPR, the following table provides a comparison of the bank's loan-to-deposit ratio at September 30, 1998 and September 30, 1999 to that of its peer group and a sample of its local competitors.

LOAN-TO-DEPOSIT RATIOS OF COMPETITORS				
Bank Name and Location	Assets as of September 30, 1999 (In thousand \$)	LTD Ratio September 30, 1999	LTD Ratio September 30, 1998	Average LTD for the September 30, 1998 and June 30, 1998
ShoreBank, Detroit	\$40,682	68.3%	68.3%	70.1%
Peer		77.7%	73.2%	74.8%
Bank One MI, Detroit	\$23,022,937	99.6%	98.3%	97.1%
First Independence NB, Detroit	\$121,590	49.8%	47.7%	45.9%
Comerica Bank, Detroit	\$30,424,234	143.8%	133.7%	138.1%
National City Bank of Michigan/Illinois, Bannockburn, Illinois*	\$17,026,968	92.8%	79.1%	86.8%
Michigan National Bank, Farmington Hills*	\$10,751,436	97.5%	105.6%	99.7%

The bank's average loan to deposit ratio for the past six quarters was 70.1%. The bank's average loan-to-deposit ratio does not favorably compare to peer and local competition. Only one competitor, with a greater asset size, had a lower ration than the bank. The larger financial institutions offer a wider variety of credit products with more flexible terms and conditions than is available at the bank. In addition, the bank's loan-to-deposit ratio was adversely affected by the charge-off of loans purchased from the failed Omni Bank.

Considering the preceding factors, the bank's average loan to deposit ratio is considered reasonable for a denovo bank of this asset size, financial condition and assessment area's credit needs.

LENDING IN ASSESSMENT AREA

A review of real estate, consumer installment, and small business loans over the past year was conducted to determine the bank's level of lending within the assessment area. In total, 125 loans were analyzed. The results of the analyses are illustrated in the following table:

LENDING WITHIN THE ASSESSMENT AREA						
Loan Type	Total Number of Loans	Number within Assessment Area	Percent within Assessment Area	Total Dollar Value of Loans (\$000's)	Total Dollar within Assessment Area	Percent within Assessment Area
Real Estate	43	43	100%	\$2,377	\$2,377	100%
Small Business	46	27	59%	\$5,149	\$4,337	84%
Consumer	36	28	78%	\$433	\$391	90%
Total	125	98	78%	\$7,959	\$7,105	89%

As the preceding table illustrates, 78% of the number of loans and 89% of the dollar value was originated within the bank's assessment area. Of the loans, located outside of the bank's assessment area, 15 loans totaling \$453,000 were purchased from the previously mentioned failed institution.

Overall, a majority of loans and other lending-related activities are in the bank's assessment area and is considered satisfactory.

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

The one-year of loan data was reviewed to determine the bank's penetration among individuals of different income including those with low-and moderate-income levels. The assessment area includes 64.4% low and moderate-income families. The sample included 36 consumer installment loans and 43 real estate loans.

LOAN TYPE	LOW-INCOME		MODERATE-INCOME		MIDDLE-INCOME		UPPER-INCOME		TOTAL	
	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#
Consumer	\$73	10	\$118	6	\$135	7	\$46	2	\$372	25
Real Estate	\$271	10	\$825	15	\$727	10	\$555	8	\$2,378	43
Total	\$344	20	\$943	21	\$862	17	\$601	10	\$2,750	68

As the preceding chart indicates, 60% of the loans sampled were to low and moderate income borrowers representing 45% of total dollars lent. This level of lending is more than reasonable when compared to the composition of income levels within the bank's assessment area.

Lending to Small Businesses

Small business loans are those loans with an origination loan amount of less than \$1 million extended to businesses with less than \$1 million in gross annual revenues.

The review of the bank's commercial loans revealed that 84% (27 of 32) of the commercial loans originated in the assessment area were to small business. In addition, the loan amounts of the sample revealed that 72% of the loan amounts were under \$100,000. As previously stated, the bank's offices are located in an economically challenged area. The bank's focus as a community development financial institution is evidenced by the location of the bank's branches in low-income census tracts that are under-represented by the financial community at large.

The bank has excellent penetration among individuals of different income (including low-and moderate income) levels and businesses of different sizes.

GEOGRAPHIC DISTRIBUTION OF LOANS

A review of one-year loan data of residential real estate loans revealed a penetration of loans in 23 of the banks geographies, representing 7% (23 of 327) dispersion. In addition, of the 43 loans reviewed during the examination, 56% (24 of 43) were generated in low income, 16% (7 of 43) in moderate income, 28% (12 of 43) were in middle income geographies.

A review of one-year loan data for small businesses revealed a penetration into 19 of the banks geographies, representing 6% (19 of 327) dispersion. In addition, of the 27 loans reviewed during the examination, 48% (13 of 27) were originated in low income tracts totaling \$2.1 million, 30% (8 of 27) in moderate income tracts totaling \$1.8 million, 7% (2 of 27) in middle income tracts totaling \$200 thousand, and 15% (4 of 27) in upper income tracts totaling \$184 thousand.

A review of the personal loans for one year also revealed 5% (17 of 327) dispersion into the bank's geographies. Of the 28 loans originated within the banks assessment area, 50% (14 of 28) were

generated in the low-income geographies, 36% (10 of 28) in the moderate-income geographies, and 14% (4 of 28) were generated to the middle income geographies. No loans were originated in the upper income geographies. The bank's geographic distribution of loans is poor.

The following factors contributed to the bank's poor dispersion of loans within the assessment area. The bank did not make any real estate loans during the first six months of the bank's existence due to a computer conversion to become Y2K compliant. The physical locations of the bank's offices, located in economically challenged areas in the assessment area, are at opposite ends of the assessment area. Larger banks offering a more varied product line and a wide range of branches and ATM services also serve the assessment area. The institution is also very small bank with an asset size of \$40 million and three offices located in 3 of the 327 geographies within its assessment area. Due to the bank's physical size, lack of advertising, and facilities, the bank has not originated any loans along the 8-mile road corridor in its assessment area.

The geographic distribution of loans reflects an inadequate dispersion throughout the bank's defined assessment area.

RESPONSE TO COMPLAINTS

No complaints were received by the institution regarding its CRA performance since the bank opened in April 1998.