



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 16, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Resource Bank, National Association
Charter Number: 5815

555 Bethany Road
Dekalb, IL 60115

Office of the Comptroller of the Currency

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

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Summarize the major factors supporting the institution's rating.

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment (AA) needs.
- A majority of the loans originated or purchased are within the AA.
- There is a reasonable penetration of loans among individuals of different income levels. In addition, the bank's penetration of loans among businesses and farms of different sizes is adequate.
- Geographic distribution of loans within the bank's AA is reasonable.
- The bank does a reasonable job of meeting the needs of the community.
- There were no consumer complaints filed during the period from January 2004 through December 2009.

Scope of Examination

The evaluation period for the lending test, excluding community development loans, is January 1, 2006 through December 31, 2008. Products reviewed in the lending test included commercial and agriculture loans and home mortgages that originated during the years 2006 through 2008. We used the bank's Home Mortgage Disclosure Act (HMDA) loan types for reviewing residential real estate lending. The loan data was captured in bank reports that were validated during our examination. Errors noted during this data integrity review were readily corrected by the bank. All data used within this public evaluation was verified as being accurate and qualified per Community Reinvestment Act Parameters.

The evaluation period for community development loans and the investment and the service tests is January 1, 2006 through December 31, 2008. Donations made from January 1, 2006 through December 14, 2009 were considered. Bank data for the years 2004 and 2005 was not available and therefore not used in the analysis.

We used annual deposit information, reported to the Federal Deposit Insurance Corporation, to determine the bank's deposit market share and market presence within its AA. The most recent

deposit information available is as of June 30, 2009.

Description of Institution

Resource Bank, N.A. (RBNA) is a \$293 million intrastate financial institution that is a wholly owned subsidiary of Resource Bancshares, Inc (RBI). RBI is a one-bank holding company headquartered in DeKalb, Illinois. RBNA is located approximately 60 miles west of Chicago, Illinois and 30 miles southeast of Rockford, Illinois. As of December 31, 2008, RBI had approximately \$286 million in consolidated assets. There are no other affiliates. There has been no change in the corporate structure since the last examination.

RBNA operates 7 full-service branches and 5 ATM locations all located at bank branches. There are 2 bank locations in DeKalb, the main office and 1 branch. The remaining 5 branches are located in Malta, Hinkley, Cortland, Genoa, and Sycamore. There are no ATMs at the Malta and Cortland locations.

As of September 30, 2009, RBNA reported approximately \$211 million in outstanding loans. Tier 1 capital was reported at approximately \$30 million. The loan portfolio consists of the following:

Loan Category	(\$000s)	% of Loans
Commercial (Including RE mortgages)	121,146	57.27%
Agricultural Loans	47,129	22.28%
Residential Mortgages	38,637	18.26%
Other Loans	2,749	1.30%
Consumer Loans	1,878	0.89%
Totals	211,539	100.00%

RBNA was rated “Satisfactory” at its last CRA evaluation dated July 27, 2004. There are no financial conditions, legal constraints or other factors that would hinder its ability to meet the credit needs of its community.

Description of Assessment Area(S)

RBNA’s AA is located in northern Illinois and is comprised of all 21 census tracts located in DeKalb County. The AA has changed since the last CRA examination when it was comprised of only 18 census tracts. The bank’s AA consists of 2 low-, 1 moderate-, 17 middle-, and 1 upper-income geographies and is part of the Chicago-Naperville-Joliet Metropolitan District (16794). The AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income geographies. Bank management developed the bank’s AA around its branches. The AA represents the area where RBNA originates the majority of its loans.

Based on the 2000 Census data, the AA has a population of 88,969. The median family income in the AA is \$71,100. There are 20,190 families in the AA, of which 1,187 (6 percent) are considered low-income families; 15 (.07 percent) are moderate-income families; 17,672 (88 percent) are middle-income families; and 1,316 (6 percent) are upper-income families.

The local housing demand has slowed down. The 2000 US Census data shows that there are

32,988 housing units within the AA. Of these, 57.23 percent are owner-occupied units, 38.79 percent are rental-occupied units, and 3.98 percent are vacant housing units. The median housing value is \$134,611.

Based on 2008 business geodemographic data, there were a total of 5,345 businesses in the AA. Of these, 3,635 or 68 percent have revenues of less than \$1 million, 253 or 5 percent have revenues of more than \$1 million, and 1,467 or 27 percent did not report revenue information. There are 9.52 percent of businesses located in the low-income geographies, 4.76 percent in the moderate-income geographies, 80.95 percent in middle-income geographies, and 4.76 percent in the upper-income geography.

The 2008 business geodemographic data shows 526 farms are located in the AA with 5 (0.95 percent) in low-income geographies, 0.0 percent in moderate-income geographies, 484 (92.02 percent) in middle-income geographies, and 37 (7.03 percent) in upper-income geographies. Of these, 514 (97.72 percent) had revenues less than \$1 million, and 6 (1.14 percent) had revenues greater than \$1 million, and 6 (1.14 percent) did not report revenue information.

The local economy has slowed down significantly with the unemployment rate almost doubling since the last CRA examination. The U.S. Bureau of Labor Statistics reports the October 2009 seasonally unadjusted unemployment rate for the AA at 9.6 percent which was only slightly higher than the national unemployment rate of 9.4% but much lower than the State of Illinois seasonally unadjusted unemployment rate of 10.5 percent. Approximately 81 percent of the businesses have less than 50 employees and 3,642 or 62.03 percent of the businesses have only one to four employees. Major employers in the AA continue to be Northern Illinois University, Kishwaukee Community Hospital, Nicor, and Target Distribution Center.

RBNA's major competitors within their AA include Castle Bank NA representing 24.05 percent of the deposit market share, National Bank and Trust Co of Sycamore with 23.18 percent, Citizens First National Bank reporting 13.52 percent, and American National Bank of DeKalb County with 10.55 percent. RBNA has 12.20 percent of the deposit market share within its AA.

We conducted one community contact interview during our examination relating to this AA. We contacted the Chamber of Commerce in DeKalb, Illinois. The contact indicated the major credit needs were business expansion and financing for housing. He indicated that many small businesses are in need of start up and/or business expansion funds. The contact indicated that the performance of local financial institutions is very spotty given the current economic conditions. He also noted that housing is important but difficult for individuals to currently qualify for a mortgage.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank does a satisfactory job lending in its AA.

Loan-to-Deposit Ratio

RBNA's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. As of September 30, 2009, RBNA's quarterly average loan-to-deposit ratio for the period from December 30, 2003 to September 30, 2009 was 79.22 percent, which ranked third of 5 institutions with assets in the range of \$243 million to \$1,287 million. The quarterly average loan-to-deposit ratios for 4 other similarly situated financial institutions located within the AA range from 74.39 percent to 82.74 percent for that time period.

The bank's loan-to-deposit ratio continues to increase over time. The bank's ratio has led its peers for the first 3 quarters of 2009 and has averaged 80 percent or higher since the 4th quarter of 2007. RBNA's net loan-to-deposit ratio has increased from 75.9 percent on December 31, 2003 to 85.92 percent on September 30, 2009.

Lending in Assessment Area

RBNA's record of lending within its AA is satisfactory. The majority of the loans originated by the bank are within its AA. The analysis was conducted on 164 loans that originated between January 2006 and December 2008. This included all the bank's Home Mortgage Disclosure Act reportable loans, 20 randomly selected commercial loans, and 20 randomly selected agriculture loans that originated during the evaluation period. Using the total sample of commercial, agriculture, and residential mortgage loans, approximately 71 percent both by number and total dollar volume were originated within the bank's AA.

The below table details all the bank's lending within the AA that originated in the years of 2006 through 2008 by number and dollar volume.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000 omitted)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial*	14	70.00	6	30.00	20	\$3,858	75.15	\$1,276	24.85	\$5,134
Agricultural*	14	70.00	6	30.00	20	\$3,096	79.90	\$779	20.10	\$3,875
Home Purchase**	46	73.02	17	26.98	63	\$6,514	64.29	\$3,619	35.71	\$10,133
Home Improvement**	22	91.67	2	8.33	24	\$2,540	95.42	\$122	4.58	\$2,662
Home Refinance**	21	56.76	16	43.24	37	\$2,947	61.67	\$1,832	38.33	\$4,779
Total HMDA**	89	71.77	35	28.23	124	\$12,001	68.29	\$5,573	31.71	\$17,574
Totals	117	71.34	47	28.66	164	\$18,955	71.30	\$7,628	28.70	\$26,583

* Represents sample of loan selected that were originated from January 2006 through December 2008.

** Represents loans originated between January 1, 2006 and December 31, 2008 as reported under the Home Mortgage Disclosure Act.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

RBNA's primary loan types are residential, commercial, and agriculture loans. Commercial loans which include real estate mortgages make up 57 percent of the bank's entire loan portfolio and have historically been the bank's main loan product. RBNA has a full service mortgage area that focuses on meeting the residential loan demand within its AA. A majority of the residential loans are sold in the secondary market. The agriculture loan portfolio currently represents 22

percent and residential mortgages 18 percent of gross loans.

The bank’s lending to borrowers of different income levels is reasonable. Our review included a sample of 129 loans inside the bank’s AA (20 commercial, 20 agriculture, and 89 residential mortgage loans) that were originated during the evaluation period. As a percent of gross loans, our sample included approximately 17 percent in commercial loans, 30 percent in residential loan balances, and 7% of agriculture loans as of September 30, 2009. The total dollar amount sampled represented approximately 9.8 percent of gross loans and leases as of September 30, 2009.

Home Mortgage Loans

The level of residential mortgage loans to low- and moderate-income individuals is reasonable. Although the table below shows that the bank’s lending does not fully meet the demographics of low- and moderate-income families, it should be noted that approximately 13 percent of the households or 5 percent of families in the bank’s AA are below the poverty level making it difficult for individuals to qualify to for a loan. In addition, with Northern Illinois University in the bank’s AA rental units are higher at 39 percent making residential lending more difficult. The table below illustrates that by dollar volume the bank is doing a good job or extending home improvement loans to low-income individuals as dollar percentages extended (17.72%) mirrored the family demographics (17.59%). Lending for all mortgage types by number is reasonable and overall in line with community demographics.

Borrower Distribution of Home Mortgages									
Borrower Income Levels	DeKalb County AA								
	Home Purchases		Home Improvements		Home Refinancing		Total Home		% of Families in AA
							Mortgages		
	% of #	% of \$	% of #	% of \$	% of #	% of \$	% of #	% of \$	
Low	13.04%	6.40%	13.64%	17.72%	4.76%	1.59%	11.24%	7.62%	17.59%
Moderate	19.57%	14.58%	18.18%	2.01%	19.05%	12.69%	19.10%	11.46%	20.12%
Middle	19.57%	22.77%	18.18%	3.43%	23.81%	11.03%	20.22%	15.79%	28.26%
Upper	28.26%	24.95%	50.00%	76.85%	42.86%	68.37%	37.08%	46.60%	34.03%
N/A	19.56%	31.30%	0.00%	0.00%	9.52%	6.32%	12.36%	18.53%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Commercial Loans

The borrower distribution of commercial loans is reasonable although falls short of demographics. The percentage of the bank loans to businesses with revenues of less than \$1 million by number is 50 percent compared to 68 percent of the small businesses in the AA. Bank management indicated that in the years 2006 through 2008 competition for commercial loans in the AA was very strong with pricing wars between local institutions making it difficult at times to obtain commercial loans.

Borrower Distribution of Commercial Loans			
Gross Annual Revenue	DeKalb County AA		
	% of #	% of \$ (000's)	Business Data
<= \$1 million	50.00%	20.62%	67.82%
> \$ 1 million	50.00%	79.38%	4.73%
Revenue unavailable	0.00%	0.00%	27.45%
Total	100.00%	100.00%	100.00%

Agriculture Loans

The borrower distribution of farm loans within the AA is reasonable although both by number and dollar volume the bank's originations fell below the farm demographics. Approximately by number, 85 percent of the bank's loans were extended to farms with revenues of less than \$1 million versus 98 percent of small farm demographics in the AA. Competition in the AA is very strong with the Farm Credit Bureau located in DeKalb. The Farm Credit Bureau obtains a significant portion of the agriculture lending in the AA.

Borrower Distribution of Agriculture Loans			
Gross Annual Revenue	DeKalb County AA		
	% of #	% of \$ (000's)	% of Farms in AA
<= \$1 million	85.00%	52.55%	97.72%
> \$ 1 million	15.00%	47.45%	1.14%
Revenue unavailable	0.00%	0.00%	1.14%
Total	100.00%	100.00%	100.00%

Geographic Distribution of Loans

The geographic distribution of the bank's home mortgage loans, commercial loans, and agriculture loans reflects a reasonable dispersion throughout the AA geographies. Analysis in the moderate-income geography is meaningless as there are no demographics to compare. The bank did not extend any commercial and agriculture loans in the low-income geographies but extension of loans in these geographies is difficult as businesses and farms located in these geographies is minimal. RBNA does an excellent job of extending home purchases by number and dollar volume in the low-income geographies.

Home Mortgage Loans

Extension of all home mortgages is good in low-income geographies, exceeding community demographics by number and in line with demographics by dollar volume. Analysis in the moderate-income geography is meaningless as all housing units in the geographies are rentals.

The geographic distribution of home purchase loans is excellent. Home purchase loans by number at 2.17 percent well exceed the owner-occupied housing demographics at .64 percent in the low-income geographies.

During the evaluation period the bank did not extend any home improvement or refinancing loans to individuals in the low- or moderate-income geographies. With 93 percent of the housing units in the low-income geographies being rentals, extension of these loan types is challenging. In addition, approximately 49 percent of the households in the low-income tracts live below the poverty level making it difficult for these individuals to qualify for a loan.

Census Tract Income Level	DeKalb County AA Percentage of HMDA Loans								Percentage of Owner-Occupied Units in AA
	Home Purchase*		Home Improvement*		Home Refinance*		All Mortgage Loans*		
	# of Loans	\$ of Loans	# of Loans	\$ of Loans	# of Loans	\$ of Loans	# of Loans	\$ of Loans	
Low	2.17	0.54	0.00	0.00	0.00	0.00	1.12	0.29	0.64
Moderate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Middle	91.30	91.91	90.91	97.95	100.00	100.00	93.26	95.18	91.95
Upper	6.52	7.55	9.09	2.05	0.00	0.00	5.62	4.53	7.41

*Represents loans originated in 2006 through 2008 as reported under the Home Mortgage Disclosure Act.

Commercial Loans

The geographic distribution of commercial loans is reasonable even though the bank did not extend any loans in the low-income geographies during the evaluation period. Lending in low-income geographies is difficult as there are only 229 businesses or 4 percent of all businesses in the AA located in the low-income geographies. There are no businesses located in the moderate-income geography making the analysis meaningless.

Census Tract Income Level	Percent of Commercial Loans				Percentage of Businesses in Tract Category
	Number of Loans	Percent (# of loans)	\$(000)	Percent (\$ of loans)	
Low	0.00	0.00	0.00	0.00	4.28
Moderate	0.00	0.00	0.00	0.00	0.00
Middle	18.00	90.00	2608.20	64.24	90.55
Upper	2.00	10.00	1451.83	35.76	5.16

Agriculture Loans

The bank did not extend any farm loans in the low-income geographies during the years 2006 through 2008. Lending to farms in the low-income geographies is difficult as there are only 5 farms in the low-income geographies. The analysis of geographic distribution of farm loans in the moderate-income geography is meaningless as there are no farms in the moderate-income geography.

Census Tract Income Level	Percent of Agricultural Loans				Percentage of Farms in Tract Category
	Number of Loans	Percent (# of loans)	\$(000)	Percent (\$ of loans)	
Low	0	0.00	0.00	0.00	0.95
Moderate	0	0.00	0.00	0.00	0.00
Middle	19	95.00	4,196	98.82	92.02
Upper	1	5.00	50	1.18	7.03

Responses to Complaints

RBNA has not received any written complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The Community Development Test is rated "Satisfactory."

Number and Amount of Community Development Loans

The bank does a reasonable job of extending community development loans within the AA. During the evaluation period, the bank extended 11 Small Business Administration (SBA) 504 loans totaling approximately \$2 million or 6.55 percent of capital to small businesses in the AA. These loans promoted economic development by creating jobs within the AA. In addition, the bank extended an additional 5 SBA loans totaling \$2,356 million or 7 percent of capital meeting the needs of the broader statewide or regional area that includes the AA.

Number and Amount of Qualified Investments

Although the bank had no qualified community development investments during the evaluation period, they did a satisfactory job donating to charitable organizations that provide assistance to low- and moderate income persons. In the years 2006 thorough December 14, 2009 the bank made donations to 13 organizations totaling \$18 thousand or 1 percent of tier 1 capital.

Extent to Which the Bank Provides Community Development Services

RBNA does a satisfactory job of providing community services. RBNA operates 7 branches all in the AA with 6 of the branches located in middle-income tracts and 1 in an upper-income tract. Within the AA, the bank’s ability to provide community development services is limited with only 14 percent of the total geographies being either low- or moderate-income geographies. The two low income tracts in the AA are located on the campus of Northern Illinois University and the one moderate income tract is adjacent to the university – thus community development opportunities are limited. In addition, of the total families in the AA only 6 percent are low- or moderate-income families.

There is no material differences in services offered at branch locations. Banking hours do not vary in a way that inconveniences the AA, particularly low- and moderate-income geographies

and individuals. All branches have extended hours through its drive-through facilities. All offices are full-service offering the same products and services. Alternative delivery services include 5 ATMS and internet and telephone banking services. All 5 ATMs are at the branch locations, available 24 hours a day for deposits and/or withdrawals.

Other ways the bank responds to the community needs is by offering seminars to senior citizens on subjects such as reverse mortgages and supplemental health insurance. The bank also offers a private banking service to seniors who reside in retirement homes who are unable to physically go to the bank. Bank employees are also involved in a program called CHANCE that Northern Illinois University offers to individuals lacking a good pre-college education. The program provides opportunities to low- or moderate income individuals to attend college.

Responsiveness to Community Development Needs

Given the limited community development opportunities in the AA, the bank does a satisfactory job of responding to community development needs. SBA lending within the AA attributed to about 6% of capital therefore meeting economic development needs of the community. In addition the bank made a total of \$18M or 1% of capital in donations to organizations whose primary focus is on low- and moderate-income individuals. Bank employees also participate in various programs within the AA that meet the needs of the community and low- or moderate-income individuals.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.