



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 02, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Resource Bank, National Association
Charter Number 5815**

**555 Bethany Road
DeKalb, IL 60115**

**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.

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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 Community Reinvestment Act (CRA) performance of Resource Bank, National Association (RBNA), DeKalb, Illinois, as prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of July 2, 2001. The agency rates the CRA Performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION RATING

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

The major factors that support RBNA's rating include:

- The bank's record of extending credit to individuals, small businesses, and farms reflects a good level of lending to low- and moderate-income people and to businesses and farms of different sizes within its assessment area (AA).
- The geographic distribution of home mortgage, commercial, and agricultural loans reflects an adequate level of lending in the low- and moderate-income geographies within the bank's AA.
- The bank's loan-to-deposit ratio is more than reasonable, given the bank's size and the AA's credit needs.

DESCRIPTION OF INSTITUTION

Resource Bank, National Association (RBNA) is a \$209 million intrastate financial institution headquartered in DeKalb, Illinois, approximately 60 miles west of Chicago, Illinois and 30 miles southwest of Rockford, Illinois. It is a wholly-owned subsidiary of Resource Bancshares, Inc., a one-bank holding company. At March 31, 2001, the consolidated holding company assets total approximately \$212 million. There are no other affiliates.

RBNA has six full service locations, with the main office and one branch located in DeKalb, Illinois. The cities of Cortland, Malta, Hinckley and Genoa, Illinois each have one branch location. The bank's seventh branch will be opening in Sycamore, Illinois in July 2001.

The bank has four drive-up automated teller machines (ATMs) which are located at both DeKalb offices, as well as the Hinckley and Genoa branches. The new Sycamore facility will have a walk-up ATM.

As of December 31, 2000, the bank's loan portfolio totaled approximately \$139.2 million, or 67.8 percent of total assets. Tier 1 capital was \$20.8 million. The loan portfolio is comprised of:

| | |
|------------------------|-----|
| Commercial | 45% |
| Agriculture | 27% |
| 1-4 Family Residential | 22% |
| Consumer | 5% |
| Other | 1% |

RBNA serves a diverse community consisting of agriculture, university, small business, professional, and mature market (retired) customers. There are no financial conditions, legal constraints or other factors that would hinder its ability to meet the credit needs of its community. The bank's previous CRA rating as of October 15, 1996 was Satisfactory.

DESCRIPTION OF DEKALB COUNTY

RBNA has one assessment area (AA), which consists of the majority of DeKalb County in the Chicago Metropolitan Statistical Area (MSA). The AA includes 18 of the 21 geographies within the county. Based on 1990 Census median income of \$42,758, the 18 geographies consist of one low-income, two moderate-income, thirteen middle-income, one upper-income, and one geography with no income designation. The largest city within the AA is the City of DeKalb, with a population of approximately 42,189 persons, per the 2000 Census. Other major cities or towns in the AA are Genoa, Sycamore, Malta, and Hinckley. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The 2000 HUD adjusted median family income is \$67,900. The 1990 Census median family income was \$42,758. Within the AA, 18.48 percent of the families are low-income, 22.52 percent are moderate-income, 28.12 percent are middle-income and 30.88 percent are upper-income.

Housing demand in the AA is strong. Based on 1990 U.S. Census data, there are 24,433 housing units in the AA. Fifty-five percent are owner-occupied units, 42 percent are rental-occupied and 3 percent are vacant. The volume of rental-occupied housing continues to be high due to the demand for off-campus housing for students of Northern Illinois University, which is located within the AA.

The local economy is good. Major area employers are Northern Illinois University employing approximately 3,500 persons; Kishwaukee Community Hospital employing about 850 persons; and the DeKalb School District 428 which employs about 680 persons. The area's unemployment rate is currently 2.12 percent, per the 2000 Census. There are approximately 2,602 businesses and 497 farms within the AA, with 2,297 and 471 (88.28 and 98.33 percent) of them, respectively, reporting revenues of less than \$1 million.

RBNA's major competitors within the County of DeKalb are Castle Bank, National Association with a 25 percent market share of deposits, National Bank & Trust Company of Sycamore with 23 percent, American National Bank of DeKalb has 11 percent, and Fifth/Third Bank (formerly Old Kent) with 4 percent. RBNA has approximately an 11 percent share of the deposits within the County.

We conducted one community contact interview during our evaluation. We contacted a local economic development corporation that services DeKalb County. The contact indicated the major credit needs are affordable housing and small business lending. The contact stated that the performance of local financial institutions has been favorable since many of the large, multi-state financial institutions are not present in the community, allowing local banks to be more involved and more competitive.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

The bank's record of extending credit to individuals of different income levels reflects good lending to low- and moderate-income people within its AA. The bank's record of lending to small businesses and farms reflects a good level of lending to businesses and farms of different sizes.

HMDA Loan Originations -

The borrower distribution of home purchase loans is good. Home purchase loans made to low-income borrowers (15.56 percent) was below the percentage of low-income families within the bank’s AA (18.48 percent). However, home purchase loans made to moderate-income borrowers (24.44 percent) exceeded the percentage of moderate-income families within the AA (22.52 percent). Since the last CRA evaluation, the bank made 45 home purchase loans within its AA. Seven loans (15.56 percent) totaling \$260 thousand were made to low-income borrowers and 11 loans (24.44 percent) totaling \$955 thousand were made to moderate-income borrowers.

The borrower distribution of home refinance loans is good. Home refinance loans made to low-income borrowers (12.73 percent) is below the percentage of low-income families within the bank’s AA (18.48 percent). However, home refinance loans made to moderate-income borrowers (23.64 percent) exceeded the percentage of moderate-income families within the AA (22.52 percent). Since the last CRA evaluation, the bank made 55 home mortgage refinance loans within its AA. Seven loans (12.73 percent) totaling \$543 thousand were made to low-income borrowers and 13 loans (23.64 percent) totaling \$945 thousand were made to moderate-income borrowers.

The borrower distribution of home improvement loans is excellent. Home improvement loans made to low- and moderate-income borrowers (21.62 percent and 28.38 percent, respectively) exceeded the percentage of low- and moderate-income families within the bank’s AA (18.48 and 22.52 percent, respectively). Since the last CRA evaluation, the bank made 74 home improvement loans within its AA. Sixteen loans (21.62 percent) totaling \$227 thousand were made to low-income borrowers and 21 loans (28.38 percent) totaling 214 thousand were made to moderate-income borrowers.

| Borrower Income Level | Percentage of Loans | | | | | | | | Percentage of Families 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 | 15.56 | 6.30 | 21.62 | 16.54 | 12.73 | 11.15 | 16.49 | 7.90 | 18.48 |
| Moderate | 24.44 | 23.14 | 28.38 | 15.60 | 23.64 | 19.40 | 25.53 | 18.43 | 22.52 |
| Middle | 26.67 | 26.34 | 24.33 | 18.08 | 38.18 | 38.41 | 27.13 | 21.29 | 28.12 |
| Upper | 31.11 | 42.36 | 21.62 | 48.83 | 25.45 | 31.04 | 23.40 | 26.10 | 30.88 |

* represents loans originated in 1997, 1998, 1999 and 2000 as reported under the Home Mortgage Disclosure Act.

Commercial Loan Originations -

The borrower distribution of commercial loans is good. Of the 20 commercial loans reviewed, 17 loans (85.00 percent) totaling \$1.06 million (69.82 percent) were made to businesses with annual revenues of less than \$1 million. This is slightly below the percentage of businesses (89.84 percent) with revenues of \$1 million or less in the bank's AA. The distribution analysis of commercial loans by borrower income was based on a sample of 20 loans that were made within the bank’s AA since its last CRA evaluation. Gross revenue information for two of the 20 loans reviewed was not used in the credit decision.

Agricultural Loan Originations -

The borrower distribution of farm loans is good. Of the 20 farm loans reviewed, 17 loans (85.00 percent) totaling \$1.79 million (64.95 percent) were made to farms with annual revenues of less than \$1 million. This is below the percentage of farms (98.33 percent) with revenues of \$1 million or less in the bank's AA. The distribution analysis of farm loans by borrower income was based on a sample of 20 loans that were made within the bank's AA since the last CRA evaluation. Farm revenue information for one of the 20 loans reviewed was not used in the credit decision.

Geographic Distribution of Loans

The geographic distribution of RBNA's home mortgage, commercial, and agricultural loans shows an adequate level of lending in the low- and moderate-income geographies within the bank's AA.

HMDA Loan Originations -

The geographic distribution of home purchase loans is adequate. Home purchase loans made in the bank's low- and moderate-income geographies (0.0 percent and 2.22 percent, respectively) are below the percentage of owner-occupied housing units in those geographies (0.38 percent and 6.56 percent, respectively). Since the last CRA evaluation, the bank made 45 home purchase loans within its AA. The bank did not make any home purchase loans in the one low-income geography. One loan (2.22 percent) totaling \$69 thousand was made in moderate-income geographies.

The geographic distribution of home refinance loans is excellent. Home refinance loans made in the bank's low- and moderate-income geographies (1.81 percent and 10.91 percent, respectively) are above the percentage of owner-occupied housing units in those geographies (0.38 percent and 6.56 percent, respectively). Since the last CRA evaluation, the bank made 55 home mortgage refinance loans within its AA. One loan (1.81 percent) totaling \$96 thousand was made in the one low-income geography and six loans (10.91 percent) totaling \$222 thousand were made in moderate-income geographies.

The geographic distribution of home improvement loans is adequate. Home improvement loans made in the bank's low- and moderate-income geographies (0.00 percent and 4.05 percent, respectively) are below the percentage of owner-occupied housing units in those geographies (0.38 percent and 6.56 percent, respectively). Since the last CRA evaluation, the bank made 74 home improvement loans within its AA. The bank did not make any home improvement loans within the one low-income geography. The bank made three loans (4.05 percent) totaling \$95 thousand in moderate-income geographies.

| Census Tract Income Level | Percentage of 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 | 0.00 | 0.00 | 0.00 | 0.00 | 1.81 | 1.97 | 1.06 | 2.07 | 0.38 |
| Moderate | 2.22 | 1.67 | 4.05 | 6.92 | 10.91 | 4.56 | 7.45 | 13.32 | 6.56 |
| Middle | 95.56 | 95.28 | 94.60 | 92.35 | 74.55 | 76.43 | 86.17 | 77.06 | 84.16 |
| Upper | 2.22 | 3.05 | 1.35 | 0.73 | 12.73 | 17.04 | 4.79 | 6.42 | 8.89 |

* represents loans originated in 1997, 1998, 1999 and 2000 as reported under the Home Mortgage Disclosure Act.

Commercial Loan Originations -

The geographic distribution of commercial loans is adequate. The bank did not make any commercial loans in low- or moderate-income geographies, however the percentage of businesses within those geographies is 2.04 percent and 19.29 percent respectively. Nineteen of the bank's commercial loans reviewed, totaling \$1.48 million, were made in middle-income geographies and one loan for \$38 thousand was made in the upper-income geography. The three moderate-income geographies are located near downtown DeKalb, where various competitors have office locations, however RBNA does not. The geographic analysis of commercial loans was based on a sample of 20 loans that were made within the bank's AA since its last CRA evaluation.

Agricultural Loan Originations -

The geographic distribution of farm loans is good. The bank did not make any farm loans in the one low-income geography, however only 0.20 percent of farms are located in that geography. Farm loans made in the bank's moderate-income geographies (5.00 percent) exceeds the percentage of farms located in those geographies (1.05 percent). One of the bank's agricultural loans, totaling \$10 thousand was made in a moderate-income geography, and the remaining 19 loans, totaling \$2.74 million, were made in middle income geographies. The geographic analysis of agricultural loans was based on a sample of 20 loans that were made within the bank's AA since its last CRA evaluation.

Loan-to-Deposit Ratio

RBNA's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. The bank's average quarterly loan-to-deposit ratio from December 1996 to December 2000 was 81.68 percent. RBNA's loan-to-deposit ratio is the highest when compared to other similarly situated institutions located in DeKalb County. The average quarterly loan-to-deposit ratio for the same time period for three banks with total assets between \$176 million and \$551 million located in DeKalb County ranged from 67.13 percent to 76.64 percent.

Lending in Assessment Area

RBNA's record of lending within the AA is reasonable. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

| Loans Originated in Assessment Area | | | | | | |
|-------------------------------------|---------|---------------|---------|---------------|-----------------|------------------|
| Loan Type | # in AA | \$ in AA | Total # | Total \$ | Percent # in AA | Percent \$ in AA |
| | | (000 omitted) | | (000 omitted) | | |
| Home Purchase* | 45 | \$4,127 | 111 | \$10,794 | 40.5% | 38.2% |
| Home Refinance* | 55 | \$4,871 | 86 | \$8,159 | 64.0% | 59.7% |
| Home Improve* | 74 | \$1,372 | 91 | \$2,003 | 81.3% | 68.5% |
| Total HDMA * | 174 | \$10,370 | 288 | \$20,956 | 60.4% | 49.5% |
| Business/Comm | 11 | \$949 | 20 | \$1,418 | 55.0% | 67.0% |
| Agriculture | 11 | \$1,561 | 20 | \$3,291 | 55.0% | 47.0% |

* represents loans originated in 1997, 1998, 1999 and 2000 as reported under the Home Mortgage Disclosure Act.

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.

Fair Lending Review

An analysis of recent public comments, consumer complaint information, and Home Mortgage Disclosure Act (HMDA) lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in October, 1996.