

PUBLIC DISCLOSURE

December 13, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Resource Bank, N.A.
Charter Number 23248**

**4320 LBJ Freeway, Suite 100
Dallas, Texas 75244**

**Office of the Comptroller of the Currency
Southwestern District
500 N. Akard, 1600 Lincoln Plaza
Dallas, Texas 75201-3394**

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 **Resource Bank, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 13, 1998. 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 bank's lending levels reflect responsiveness to the community's credit needs. The bank's loan-to-deposit ratio is reasonable and comparable to that of peer institutions. The majority of loans are in the bank's assessment area and reasonably penetrate various geographies and borrower income levels.

The following table indicates the performance level of Resource Bank, N.A. with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	RESOURCE BANK 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	
Geographic Distribution of Loans		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Response to Complaints	No complaints received since the bank opened on October 3, 1997.		

DESCRIPTION OF INSTITUTION

Resource Bank, N.A. is located in North Dallas at the southeast corner of Midway Road and LBJ Freeway. The bank opened on October 3, 1997. As of September 30, 1998, the bank had total assets of \$19 million with \$9.9 million in total loans. The loan mix consists of commercial real estate (35%), interim construction and land development (33%), commercial and industrial (21%), and consumer instalment (11%). The institution has only one banking facility and no automated teller machines. The bank is independently owned with no holding company structure.

Since its October 3, 1997 inception, the bank's lending niche has been small business financing and interim construction loans to local homebuilders. Products targeted for small businesses include an account receivable factoring program and U.S. Small Business Administration loans. In recent months, the bank has initiated indirect lending programs designed to increase the level of consumer instalment loans and diversify the loan portfolio. The legal, regulatory, and economic environment do not significantly affect the institution's ability to make loans.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) is defined as the Dallas Primary Metropolitan Statistical Area (PMSA). The AA includes Collin, Dallas, Denton, Ellis, Kaufman, and Rockwall counties. The AA contains 580 census tracts with a population of 2.7 million based on 1990 census data. The AA's median family income is \$54,400 according to 1998 estimates from the U.S. Department of Housing and Urban Development. The income characteristics of the AA geographies detailed in the following table are based on 1990 Census Bureau median family income data for the Dallas PMSA.

Census Tract Characteristics	# of Tracts	%	Households	%
Low	63	11%	69,719	7%
Moderate	157	27%	248,930	25%
Middle	188	33%	389,173	39%
Upper	164	28%	295,857	29%
Not Available	8	1%	0	0%
Total	580	100%	1,003,679	100%

The Dallas PMSA economy is diverse with various industries. Local economic conditions are strong, with an unemployment rate of only 3.20%. The strong economy has resulted in

significant development activity in both, the residential and commercial real estate markets. Community contacts made in the past twelve months indicated small business and affordable mortgage loans are major credit needs. Bank management has actively marketed the institution's small business loan products to North Dallas companies over the past several months. This has entailed written correspondence and verbal communication in some instances. The bank is not actively involved in long-term competitively priced home mortgage lending. However, this is mitigated by the availability of these loans at other financial institutions and mortgage companies in the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable and comparable to its peer group. The peer group consists of 68 banks in the Dallas PMSA with total assets of \$150 million or less. Each institution in the peer group has only one banking office. At June 30, 1998, the bank's loan-to-deposit ratio of 55% was slightly below the peer group average of 61%. However, the bank's ratio averaged 65% over the past four calendar quarters ending September 30, 1998. September 30, 1998, data on peer banks was not available at the time of this evaluation. Therefore, we were unable to calculate the four quarter averages for these institutions.

Lending in the Assessment Area

The majority of the bank's lending is within its assessment area. We reviewed a sample of 20 commercial and 20 consumer loans funded since October 3, 1997. The loans totaled \$4.8 million. Of the 40 loans reviewed, 31 or 78% are within the assessment area. A review of mortgage lending was not necessary, since the bank did not have any such loans on its balance sheet as of the evaluation date.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion in the assessment area. The following table summarizes our sampling results of the 31 loans funded in the assessment area since October 3, 1997.

Geographic Distribution - OCC Loan Sample

CENSUS TRACT	# OF LOANS	%	\$ OF LOANS (thousands)	%
Low Income	2	7%	47	1%
Moderate Income	4	13%	68	2%
Middle Income	6	19%	799	22%
Upper Income	19	61%	2,685	75%

TOTAL	31	100%	3,599	100%
--------------	-----------	-------------	--------------	-------------

Bank management provided the following explanations for the higher concentration of loans in upper income tracts.

- < Six or 32% of the number of loans in upper income tracts are extended to homebuilders for the construction of new homes.
- < Three or 16% of the loans in upper income tracts are attributed to indirect automobile lease paper.
- < Several loans in upper income tracts are extended to borrowers who had previously established successful banking relationships with Resource Bank, N.A. loan officers while employed at other financial institutions. In these cases, the loan officers were familiar with the borrowers' operations and history. Most of these customers are commercial borrowers or individuals who are key principals in privately owned companies.

Borrower Income Level

The distribution of loans to borrowers of different income levels reflects reasonable penetration among individuals of different income levels and businesses of various sizes. The following table summarizes the results of our sample of 16 consumer loans funded in the assessment area since October 3, 1997.

Income Levels - Consumer Loan Sample

CENSUS TRACT	# OF LOANS	%	\$ OF LOANS (thousands)	%
Low Income	2	12%	45	15%
Moderate Income	3	19%	24	8%
Middle Income	4	25%	60	20%
Upper Income	7	44%	174	57%
TOTAL	16	100%	303	100%

The median income of the 16 applicants was \$57,600, which is only slightly higher than the 1998 Dallas PMSA family median of \$54,400. However, our sample indicates a higher concentration of loans to borrowers in the upper income category. Four of the seven loans in the upper income category are attributed to the aforementioned borrowers who were customers of officers at other institutions. Two of the seven loans are attributed to indirect automobile leases.

The following table summarizes the results of our sample of 15 commercial loans funded in the assessment area since October 3, 1997. The distribution indicates a reasonable penetration to small businesses. Of the 15 loans sampled, four or 26% are extended to companies with gross annual revenues of \$1 million or less. The revenues of most borrowers ranged from \$1 to \$5 million. Of the eight loans in this range, four are attributed to homebuilders.

Gross Annual Revenues - Commercial Loan Sample

Annual Revenues/Sales (thousands)	# OF LOANS	%	\$ OF LOANS (thousands)	%
100-500	2	13%	189	6%
501-1,000	2	13%	110	3%
1,001-5,000	8	54%	2,101	64%
5,001 and greater	3	20%	895	27%
TOTAL	15	100%	3,295	100%
<i>Median Gross Annual Revenue of Borrowers in Sample = 1,262</i>				

Fair Lending

We conducted a fair lending examination in conjunction with the CRA evaluation. We found no violations of anti-discrimination laws or regulations.