

**PUBLIC DISCLOSURE**

March 20, 2006

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

Resource Bank

1216291

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Virginia Beach, Virginia 23466

**Federal Reserve Bank of Richmond  
P. O. Box 27622  
Richmond, Virginia 23261**

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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**INSTITUTION RATING**

**INSTITUTION'S CRA RATING:** Resource Bank is rated "**SATISFACTORY.**"

The following table indicates the performance level of Resource Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>Resource Bank</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

Major factors supporting the institution's rating include:

- Overall lending activity is adequate relative to the bank's business strategy, capacity, and market presence in bank assessment areas.
- An adequate percentage of the institution's Home Mortgage Disclosure Act (HMDA) and small business loans were originated within the bank's assessment areas.
- While the geographic and borrower distribution of loan products in the markets reviewed varied, overall the performance is considered adequate.
- The level of qualified community development investments is considered good relative to available opportunities and bank capacity.
- Delivery systems and branch locations are reasonably accessible to all segments of the bank's assessment areas.
- An adequate level of community development services was identified. Although a high level of services was noted that benefit two of the bank's assessment areas, no services were noted in two others.

**DESCRIPTION OF INSTITUTION**

Resource Bank is headquartered in Virginia Beach, Virginia, and operates six full-service branches throughout the Tidewater, Richmond, and Northern Virginia markets. The branches are located in Virginia Beach (2), Chesapeake (1), Newport News (1), Herndon (1), and Richmond (1), Virginia. The institution is a subsidiary of Fulton Financial Corporation, which acquired Resource Bank on April 1, 2004. Fulton Financial is based in Lancaster, Pennsylvania, and has assets of \$12.3 billion. Resource Bank is one of Fulton's 14 affiliate banks.

While the bank has retail presence throughout the markets identified above, it is characterized primarily by its mortgage activities which generally fall under the auspices of Resource Mortgage Corporation (RMC). RMC operates as a division of the bank and originates one- to four-family residential mortgages for sale to investors in the secondary market. The corporation has two divisions, the wholesale unit and the retail unit, which together offer over 800 loan products to its customers. The retail unit accepts consumer-initiated applications, while the wholesale division accepts applications from brokers and is currently licensed to do business with 1,566 brokers. As of February 2006, RMC operated 13 loan production offices located throughout Virginia (8), Maryland (3), North Carolina (1), and Florida (1).

Atlantic Mortgage and Investment Company also operates as a division of Resource Bank with two commercial real estate loan production offices (acts as a broker) in Chesapeake and Richmond, Virginia. Other mortgage-related divisions include Fitzgerald Financial Group, which operates as a division of Resource Bank with four offices in Maryland and one in Virginia, and Coastal Bay Mortgage, which operates two retail branches in Tampa and Orlando (Lake Mary), Florida. Additionally, mortgage loans are offered by HomeBanc, LLP; Financial Planners Mtg, LLP; Alliance One Mtg, LLP; Coastal Home Mortgage; and Mortgage Resources which all operate as limited liability partnerships under Resource Service Corporation, a bank subsidiary organized solely for the purpose of starting the limited liability partnerships. In the fourth quarter of 2005, Resource Bank entered into a joint venture with BBFQ, LLC, which operates as Coastal Home Mortgage. Each of these entities operates at least one loan production office in the mid-Atlantic region.

As of December 31, 2005, the bank had assets of approximately \$1.3 billion, of which 73.7% were loans and 8.7% were securities. The loan portfolio was comprised of 22.9% one- to four-family residential real estate secured, 66.3% commercial real estate and farm secured, 9.6% commercial and agriculture, .4% consumer, and .8% other. Deposits as of December 31, 2005, were approximately \$812 million. From December 31, 2003, to December 31, 2005, bank assets, loans, and deposits increased by 54.3%, 51.7%, and 32.8%, respectively. Based on its financial capacity, there are no significant limitations on the bank's ability to meet credit needs within the communities it serves.

The bank continues to serve four assessment areas throughout Virginia. Currently four of the bank's branch offices are located in the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area (MSA). The following tables describe the composition of Resource Bank's assessment areas as of December 31, 2005.

Metropolitan Assessment Areas			
Name	State	City/County	Census Tracts Included
Virginia Beach	VA	Chesapeake	200.01 through 212.00 213.02 214.02 through 214.03
	VA	Virginia Beach	All
Newport News	VA	Hampton	103.04 103.07 through 103.10
	VA	Newport News	All
	VA	York	502.03 through 502.00
Northern Virginia	VA	Alexandria	All
	VA	Fairfax	All
	VA	Falls Church	All
	VA	Fairfax County	All
Richmond	VA	Richmond	All
	VA	Hanover	All
	VA	Henrico	All
	VA	Chesterfield	All

Appendix C includes a table reflecting the number and percentage of branches, volume of lending, and volume of deposits by assessment area. Branch offices have been open the longest in the Virginia Beach and Northern Virginia markets, and thus, the largest proportion of bank deposits are in these areas. The distribution of lending, however, is slightly higher in the Richmond market relative to the deposit base, likely because before opening a branch the bank had established a presence through the operation of a loan production office in the area.

Resource Bank received a satisfactory rating at its prior CRA evaluation conducted March 15, 2004. There have been no changes to the branch network or composition of assessment areas since that evaluation.

#### SCOPE OF EXAMINATION

The institution was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures, HMDA and small business lending activity reported by the institution from January 1, 2004, through December 31, 2005, was reviewed. This includes all loans originated and purchased by Resource Bank during this time period except for small farm loans. Due to the lack of reported small farm loans, no analysis of such lending was warranted. Qualified community development loans and services are considered for the period from March 24, 2004, through December 31, 2005. All qualified investments outstanding as of the examination date were also considered regardless of when made.

Ratings for the lending, investment, and service tests are assigned to the institution overall based on performance in assessment areas subject to the FFIEC's full-scope evaluation process. Because of their relative sizes, determined by loan activity, proportion of bank deposits, and market population, all assessment areas were subjected to the full-scope evaluation process. According to the FFIEC procedures, lending test performance accounts for half of the overall rating, while the investment and service tests are equally weighted accounting for 25% each of the overall rating.

When assigning ratings, consideration is given to the distribution of the bank's branches, lending, and deposits among its assessment areas. In light of the majority of reported loans, branches, and deposits all being in the bank's Virginia Beach assessment area, greatest weight was placed on performance in this area in assigning the overall ratings.

#### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

##### **LENDING TEST**

An analysis of the lending for the review period is discussed in greater detail later in this evaluation for all the assessment areas. The analyses contain tables about the bank's performance for loans reported in 2004. Though tables are not presented for 2005 performance, a statement as to whether that performance is consistent with 2004 is included.

The lending test is rated low satisfactory overall based on the lending activity, distribution of loans, and community development lending. Area demographic data, Dun & Bradstreet (D&B) business data, and market aggregate information are used as proxies for demand when evaluating the bank's performance. Aggregate data includes Resource Bank and all other reporting institutions that originated and/or purchased loans of the type considered within the bank's assessment areas. D&B business data is from 2005 and the small business and HMDA aggregate data are from calendar year 2004. Demographic data is from 2000 census and based on the 2004 MSA compositions.

##### **Lending Activity:**

The institution primarily serves its market through direct lending and offers a variety of credit products. The loan-to-deposit ratio is one measure of a bank's lending relative to its capacity. During an eight-quarter period ending December 31, 2005, the quarterly average loan-to-deposit ratio for all large banks of similar asset size to Resource Bank was 88.3%. The bank's average loan-to-deposit ratio for the same eight-quarter period equaled 128.7%. No barriers to the bank's ability to lend were noted.

Various loan products are available through the institution including consumer, residential mortgage, home equity, and commercial loans. Mortgage products offered by the bank include conventional home purchase, refinance, and home improvement loans, adjustable and fixed rate mortgages, and Government guaranteed loans. These Government and independently sponsored loan programs offer flexible underwriting standards and assist in providing affordable housing for many low- and moderate-income borrowers. During 2004 and 2005, 783 mortgages totaling approximately \$71.9 million were originated under Government sponsored or affordable housing loan programs within the bank's assessment areas. In addition, Resource Bank is a certified Small Business Administration (SBA) lender.

**Assessment Area Concentration:**

The institution is required to collect small business and small farm data under the Community Reinvestment Act's Regulation BB and to collect residential mortgage data under the HMDA's Regulation C. The following table depicts Resource Bank's small business, small farm, and HMDA lending inside and outside of its assessment areas. The table is based on all reported loan data, including originations and purchases, regardless of location from January 1, 2004, through December 31, 2005.

Lending Inside and Outside the Assessment Areas								
	Inside				Outside			
	#	%	\$('000s)	%	#	%	\$('000s)	%
HMDA home purchase	3,968	32.8%	\$706,885	36.2%	8,144	67.3%	\$1,248,348	63.8%
HMDA refinancings	1,256	36.1%	\$271,266	37.2%	2,220	63.9%	\$457,883	62.8%
HMDA home improvement	5	33.3%	\$866	35.7%	10	66.7%	\$1,558	64.3%
HMDA multifamily	0	0%	0	0%	9	100%	\$10,114	100%
<b>Total HMDA-related</b>	<b>5,229</b>	<b>33.5%</b>	<b>\$979,017</b>	<b>36.3%</b>	<b>10,383</b>	<b>66.5%</b>	<b>\$1,717,903</b>	<b>63.7%</b>
<b>Total small business</b>	<b>516</b>	<b>66.1%</b>	<b>\$89,399</b>	<b>61.4%</b>	<b>265</b>	<b>33.9%</b>	<b>\$56,155</b>	<b>38.6%</b>
<b>Total small farm</b>	<b>0</b>	<b>0%</b>	<b>\$0</b>	<b>0%</b>	<b>1</b>	<b>100%</b>	<b>\$150</b>	<b>100%</b>
<b>TOTAL LOANS</b>	<b>5,745</b>	<b>35%</b>	<b>\$1,068,416</b>	<b>37.6%</b>	<b>10,649</b>	<b>65%</b>	<b>\$1,774,208</b>	<b>62.4%</b>

As indicated above, an adequate number (35%) and dollar amount (37.6%) of loans have been provided to assessment area residents. While less than a majority of loans were originated within bank assessment areas, this is largely due to the bank's business strategy that focuses on originating mortgages for sale in the secondary market. Sale of the loans allows the bank to originate a larger volume of loans than if such loans were held in the bank's portfolio, thus generating a reasonable volume of lending, though a lower overall percentage, within its assessment areas. Overall, the percentage of loans made within the assessment areas is considered adequately responsive to community credit needs.

No barriers to the bank's ability to lend were noted and lending activity is considered adequate relative to the bank's capacity and area economic conditions.

**Geographic and Borrower Distribution:**

When evaluating the geographic and borrower distribution for a specific loan category (HMDA and small business) later in this evaluation, primary emphasis is placed on the number of loans originated or purchased. To arrive at an overall conclusion regarding the distribution of lending, performance in each loan category is then weighted primarily by dollar volume of loan category. Overall, the bank's performance in providing loans to borrowers and businesses of different income and revenue levels is considered adequate and is relatively consistent between 2004 and 2005.

**Community Development Lending:**

The bank made several community development loans within the broader region that includes its assessment areas. While only a single loan was within any of the bank's assessment areas, this loan, benefiting the Richmond assessment area, was substantial at \$5.6 million. In this context, the level of community development lending is considered adequate.

#### **INVESTMENT TEST**

The institution's level of responding to community development needs through its investment activities is rated high satisfactory. Qualified community development investments include:

- Resource Bank maintains its \$1 million investment in the CRA Qualified Investment Fund, which invests in Virginia Housing Development Authority (VHDA) Rental Housing Bonds. These bonds financed 18 multifamily properties throughout the commonwealth. Three of the properties are located within the Northern Virginia, Richmond, and Virginia Beach assessment areas.
- To promote community development, the bank purchased \$1.4 million in VHDA bonds during 2004 and now holds a total of \$1.9 million in such bonds. The VHDA is a public mortgage lender that serves the housing needs of low- and moderate-income individuals throughout the Commonwealth of Virginia.

#### **SERVICE TEST**

The bank's overall performance under the service test is rated low satisfactory. Delivery systems, branch locations, and hours of operation are considered accessible and convenient to all portions of the assessment areas. Of the six branch offices, one (16.7%) is located within a moderate-income area. Since the previous CRA evaluation, no new offices have been opened.

Resource Bank provides an adequate level of community development services. While the majority of bank support is for organizations located in the Virginia Beach market, these organizations benefit the neighboring Newport News market, as well. Discussion of specific activities is included for each assessment area, as applicable.

#### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. In the context of the review conducted at this examination, policies and procedures were deemed adequate to have prevented violations from occurring.



**METROPOLITAN AREAS**

(For metropolitan areas with some or all assessment areas  
reviewed using full scope review)

As previously stated, Resource Bank operates six branch offices throughout Virginia and 13 loan production offices in various locations both inside and outside of the four assessment areas. Each assessment area is described in detail and geographic, demographic, and economic information is provided for each individual area.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN VIRGINIA BEACH, VIRGINIA MSA ASSESSMENT AREA**

Located within the Virginia Beach-Norfolk-Newport News MSA, the Virginia Beach assessment area encompasses 118 census tracts within the Cities of Chesapeake and Virginia Beach. Of these tracts, two are low-income, 25 are moderate-income, 43 are middle-income, and 48 are upper-income. According to the 2000 census data, the assessment area has a population of 581,855 and a median housing value of \$121,485. The owner-occupancy rate for the area is 64.7%, which is higher than both the MSA (58.8%) and the commonwealth (63.3%). The 2004 median family income for the MSA is \$56,600. Within the assessment area, 5.4% of families are considered to be living below the poverty level, which is lower than both the MSA rate of 8.4% and the commonwealth rate of 7%.

The following table provides demographic data for the assessment area by the income levels of area families and revenue amount of businesses. The distribution of families and businesses among geographies of varying income levels is also included.

Virginia Beach (MA 47260) ASSESSMENT AREA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	2	1.7	1,523	1.0	483	31.7	21,133	13.7
Moderate	25	21.2	24,112	15.6	3,236	13.4	27,288	17.7
Middle	43	36.4	58,529	37.9	3,124	5.3	36,601	23.7
Upper	48	40.7	70,165	45.5	1,487	2.1	69,307	44.9
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>118</b>	<b>100.0</b>	<b>154,329</b>	<b>100.0</b>	<b>8,330</b>	<b>5.4</b>	<b>154,329</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner Occupied		Rental		Vacant		
		#	%	#	%	#	%	
Low	2,183	630	0.4	28.9	1,476	67.6	77	3.5
Moderate	40,354	14,696	10.3	36.4	23,504	58.2	2,154	5.3
Middle	81,602	53,233	37.5	65.2	25,432	31.2	2,937	3.6
Upper	95,568	73,549	51.8	77.0	17,106	17.9	4,913	5.1
NA	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>219,707</b>	<b>142,108</b>	<b>100.0</b>	<b>64.7</b>	<b>67,518</b>	<b>30.7</b>	<b>10,081</b>	<b>4.6</b>
	Total Businesses by Tract	Businesses by Tract and Revenue Size						
		Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
		#	%	#	%	#	%	
Low	88	0.5	80	0.5	5	0.3	3	0.6
Moderate	3,149	16.7	2,651	16.0	399	22.4	99	19.4
Middle	6,831	36.2	5,937	35.8	720	40.5	174	34.1
Upper	8,785	46.6	7,896	47.7	655	36.8	234	45.9
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>18,853</b>	<b>100.0</b>	<b>16,564</b>	<b>100.0</b>	<b>1,779</b>	<b>100.0</b>	<b>510</b>	<b>100.0</b>
<b>Percentage of Total Businesses</b>				87.9		9.4		2.7
	Total Farms by Tract	Farms by Tract and Revenue Size						
		Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	7	5.0	7	5.2	0	0.0	0	0.0
Middle	31	22.1	31	23.0	0	0.0	0	0.0
Upper	102	72.9	97	71.9	5	100.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>140</b>	<b>100.0</b>	<b>135</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms</b>				96.4		3.6		0.0

NA Tracts are tracts without household or family income.

Home to the U. S. Navy's Atlantic fleet and several Army, Air Force, Marine, and Coast Guard bases, the defense industry accounts for a significant portion of the Tidewater region's workforce. The local economy is diversified with additional employment opportunities concentrated in tourism, retail and wholesale trade, and private industry. Furthermore, this region has a number of large cities within close proximity to one another. Residents commute between these cities by a well developed interstate system. The February 2006 unemployment rates for the Cities of Virginia Beach and Chesapeake are 2.9% and 3%, respectively. The unemployment rate for the Commonwealth of Virginia is 3.2%.

Resource Bank operates three branches in the assessment area. As of June 2005, the institution ranked fifth in deposit market share in the assessment area with 8.5% of area deposits. Based on 2004 aggregate lending data, Resource Bank ranked tenth for mortgage lending, accounting for 2% of loans and ranked 16<sup>th</sup> in small business/farm lending with 1.3% of the loans.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN VIRGINIA BEACH ASSESSMENT AREA**

**LENDING TEST**

The overall level of lending within this assessment area is considered adequate. This conclusion is based on the evaluation of geographic and borrower distribution, while taking into account the bank's market strategy, area demographic data, and aggregate CRA and HMDA data. No community development loans were originated in this area.

**Lending Activity:**

Bank lending activity within this market (55.8% of the total number and 54.2% of the dollar volume of loans extended during the review period) is considered adequate as it is generally consistent with the percentage of branch offices (50%) but slightly lower than the proportion of bank deposits (71.2%) within the assessment area.

**Geographic Distribution:**

The following tables present data about the bank's lending, and discussion of performance follows each table.

Distribution of HMDA Loans by Income Level of Geography

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	2	151	501	670	1,324
Percentage of Total Loans	.2%	11.4%	37.8%	50.6%	100%
Total Amount of Loans (000's)	\$172	\$17,752	\$78,399	\$155,793	\$252,116
Percentage of Total Amount	.1%	7%	31.1%	61.8%	100%

The bank's level of lending in low-income tracts is lower than both the 2004 aggregate level of lending (.4%) and the percentage of owner-occupied housing units in low-income areas (.4%); however, the effective demand for such loans is clearly very low. The bank's lending percentage in moderate-income areas is higher than the 2004 aggregate level in these areas (10.8%) and is also greater than the percentage of owner-occupied housing units in moderate-income areas (10.3%). The bank's 2005 performance in moderate-income areas is substantially similar to its performance in 2004, while its 2005 lending in low-income tracts decreased to 0%. Considering the effective demand for credit, the bank's performance is considered adequate.

Distribution of Small Business Loans by Income Level of Geography

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	2	30	77	78	187
Percentage of Total Loans	1.1%	16%	41.2%	41.7%	100%
Total Amount of Loans (000's)	\$300	\$6,403	\$11,603	\$13,180	\$31,486
Percentage of Total Amount	1%	20.3%	36.9%	41.8%	100%

D&B data from 2005 indicates that .5% and 16.7% of all area businesses are located in low-income and moderate-income census tracts, respectively. Of all lenders reporting small business loans in the assessment area for 2004, .3% of loans were to businesses located in low-income tracts and 16% were to businesses in moderate-income tracts. As shown in the preceding table, in the case of both low- and moderate-income tracts, the bank's 2004 lending to businesses was comparable to the demand proxies. Resource Bank's performance in 2005 is substantially similar to its performance in 2004. The bank's penetration of low- and moderate-income areas reflects a good distribution of small business loans.

The overall geographic distribution of loans within this assessment area is considered good given the institution's size, branch locations, and the effective demand for credit.

**Distribution by Borrower Income and Revenue Size of the Business:**

Distribution of HMDA Loans by Income Level of Borrower

For calendar year 2004, the bank reported a total of 1,324 HMDA loans within the assessment area; however, 68 of these did not contain income data and are excluded from the following analysis.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	33	225	335	663	1,256
Percentage of Total Loans	2.6%	17.9%	26.7%	52.8%	100%
Total Amount of Loans (000's)	\$3,017	\$26,243	\$50,888	\$156,724	\$236,872
Percentage of Total Amount	1.3%	11.1%	21.5%	66.1%	100%

Demographic data from 2000 census indicated that within the assessment area 13.7% and 17.7% of families are low- and moderate-income, respectively. According to 2004 aggregate HMDA data, 4.6% of loans extended were to low-income and 19.4% were to moderate-income borrowers. The aggregate data suggests a much lower effective demand for credit among low-income borrowers. The bank's HMDA lending to low- and moderate-income borrowers is slightly below the aggregate level of lending. The bank's 2005 performance is similar to its 2004 performance. The bank's lending to borrowers of different income levels is considered adequate.

Distribution of Lending by Loan Amount and Size of Business

	\$0 - \$100,000		>\$100,000 TO \$250,000		> \$250,000		TOTAL	
Number Total Revenues ≤ \$1 Million	80	42.8%	30	16%	23	12.3%	133	71.1%
Number Total Revenues > \$1 Million	26	13.9%	15	8%	13	7%	54	28.9%
Totals	106	56.7	45	24%	36	19.3%	187	100%

According to aggregate small business data, of all loans reported (originated and purchased) in 2004, 34.1% were to businesses with annual revenues of \$1 million or less. The remaining portion of businesses had revenues exceeding \$1 million or revenue data was not determined. D&B data indicates that 87.9% of all local businesses have revenues that do not exceed \$1 million per year. In 2004, 71.1% of Resource Bank's small business loans were to businesses with annual revenues of \$1 million or less. The bank's level of lending is considered good, and the performance during 2005 was substantially similar.

Overall, the distribution of loans to borrowers of different income levels and to businesses of different sizes is considered good using aggregate data and area demographics as proxies for demand.

**Community Development Lending:**

To the extent the bank originated any community development loans, such financing has been reported as small business or HMDA loans.

**INVESTMENT TEST**

As discussed previously, investments have been made totaling \$2.9 million that benefit a broader statewide area that includes the bank's assessment areas.

**SERVICE TEST**

Within the Virginia Beach assessment area, Resource Bank's performance under the service test is considered high satisfactory. Systems for delivering retail-banking services are accessible to essentially all portions of the assessment area, including low- and moderate-income areas. Also, Resource Bank actively participates in several community development organizations.

**Retail Services:**

Delivery systems are accessible to all portions of the assessment area. ATMs are available and, through a network, provide customers with 24-hour nationwide access. Bank-by-mail and bank-by-computer services are also offered by the institution. In addition, the institution provides customers with 24-hour telephone access to their accounts through an automated system.

The institution has three offices within this assessment area. Although the bank does not have a branch located in a low- or moderate-income geography, it does not appear that this has impaired the bank's ability to reasonably serve the population residing in such areas (based on 2000 Census, 1% in low-income and 17.5% in moderate-income). Branch locations and business hours are considered convenient and meet the needs of the assessment area.

**Community Development Services:**

Bank officers and staff volunteer their time and provide technical expertise to local community service organizations that serve the area or greater regional area including the bank's assessment area. These organizations provide financial or credit counseling to both individuals and small businesses. The following associations are assisted in this regard by bank officials:

- Virginia Housing Development Agency (VHDA) - provided instruction at VHDA Homeownership Education Seminars. VHDA has developed an array of Homeownership Loan Programs designed to remove barriers to buying a home.
- Virginia Beach Vision - supports initiatives and programs to increase economic vitality of Virginia Beach. A bank officer serves as a board member.
- The Planning Council - coordinating agency for the Norfolk Homeless Consortium and other organizations which assist low- and moderate-income residents. A bank representative serves as chairman of one of the Council's committees.
- A bank officer was a guest speaker at the Turner Construction "Contractor's College" at the Norfolk State University's Technology Center in Norfolk, Virginia. Topics included obtaining and managing credit, SBA loans, and development of business plans.
- Veterans Business Development Conference - a bank officer discussed personal and business credit as well as local resources to help small business owners.
- Empowerment 2010/SBA Women's Business Development Conference - offers counseling and training for small business owners. A bank loan officer served as a presenter at a workshop for women business owners and discussed personal and business credit as well as SBA loan programs.
- Small Business Development Center of Hampton Roads - community organization which assists small businesses with resources, training, and other financial tools. An officer of the bank serves as a board member.
- Center for Community Development - provides loans from \$500 to \$35,000 for small business owners, many of which are economically and/or socially disenfranchised from mainstream banking. A bank officer served as a facilitator for a micro loan committee.

Overall, the bank has a satisfactory record of performance under the service test. Systems for delivering retail banking services appear effective and available to all portions of the assessment area, including low- and moderate-income areas.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEWPORT NEWS ASSESSMENT AREA:**

Located within the Virginia Beach-Norfolk-Newport News MSA, the Newport News assessment area encompasses 50 census tracts within the Cities of Hampton, Newport News, and portions of York County. Of these tracts, four are low-income, 15 are moderate-income, 17 are middle-income, and 14 are upper-income. According to the 2000 census data, the assessment area has a population of 255,570 and a median housing value of \$102,357. The owner-occupancy rate for the area is 54.7%, which is lower than both the MSA (58.8%) and the commonwealth (63.3%). The 2004 median family income for the MSA is \$56,600. Within the assessment area, 8.7% of families are considered to be living below the poverty level, which is higher than both the MSA rate of 8.4% and the commonwealth rate of 7%.

The following table provides demographic data for the assessment area by the income levels of area families and revenue amount of businesses. The distribution of families and businesses among geographies of varying income levels is also included.

Newport News (MA 47260) ASSESSMENT AREA DEMOGRAPHICS									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty as a % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low	4	8.0	3,360	5.0	1,560	46.4	13,782	20.3	
Moderate	15	30.0	18,328	27.0	2,691	14.7	13,143	19.4	
Middle	17	34.0	27,606	40.7	1,373	5.0	15,847	23.4	
Upper	14	28.0	18,520	27.3	270	1.5	25,042	36.9	
NA	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>67,814</b>	<b>100.0</b>	<b>5,894</b>	<b>8.7</b>	<b>67,814</b>	<b>100.0</b>	
	Housing Units by Tract	Housing Types by Tract							
		Owner Occupied				Rental		Vacant	
		#	%	%	#	%	#	%	
Low	6,090	1,387	2.5	22.8	4,085	67.1	618	10.1	
Moderate	29,810	10,882	19.4	36.5	16,744	56.2	2,184	7.3	
Middle	42,625	23,938	42.7	56.2	16,809	39.4	1,878	4.4	
Upper	23,930	19,853	35.4	83.0	3,425	14.3	652	2.7	
NA	0	0	0.0	0.0	0	0.0	0	0.0	
<b>Total</b>	<b>102,455</b>	<b>56,060</b>	<b>100.0</b>	<b>54.7</b>	<b>41,063</b>	<b>40.1</b>	<b>5,332</b>	<b>5.2</b>	
	Total Businesses by Tract		Businesses by Tract and Revenue Size						
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
			#	%	#	%	#	%	#
Low	344	4.5	285	4.2	35	5.8	24	9.5	
Moderate	2,485	32.2	2,133	31.1	272	45.1	80	31.6	
Middle	2,871	37.3	2,600	38.0	181	30.0	90	35.6	
Upper	2,006	26.0	1,832	26.7	115	19.1	59	23.3	
NA	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total</b>	<b>7,706</b>	<b>100.0</b>	<b>6,850</b>	<b>100.0</b>	<b>603</b>	<b>100.0</b>	<b>253</b>	<b>100.0</b>	
Percentage of Total Businesses:			88.9		7.8		3.3		
	Total Farms by Tract		Farms by Tract and Revenue Size						
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
			#	%	#	%	#	%	#
Low	2	7.7	2	7.7	0	0.0	0	0.0	
Moderate	5	19.2	5	19.2	0	0.0	0	0.0	
Middle	5	19.2	5	19.2	0	0.0	0	0.0	
Upper	14	53.8	14	53.8	0	0.0	0	0.0	
NA	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total</b>	<b>26</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	
Percentage of Total Farms:			100.0		0.0		0.0		

NA Tracts are tracts without household or family income.



The Newport News assessment area is located in the Tidewater region of the Commonwealth of Virginia. Characteristics of this region were previously discussed with respect to the Virginia Beach assessment area. Northrop Gruman is one of the largest employers in the Newport News market. Recent area unemployment rates are included in the following table.

As of February 2006	
York County	2.9%
Hampton City	4.1%
Newport News City	4.1%
Commonwealth of Virginia	3.2%

Resource Bank operates one full-service branch in the assessment area. As of June 30, 2005, the bank ranked eighth in deposit market share in the assessment area having 1.1% of the FDIC insured deposits. The market is dominated by Bank of America and SunTrust that together hold 46.2% of the deposit share. Based on 2004 aggregate lending data, Resource Bank ranked 17<sup>th</sup> in both reported small business and residential mortgage lending, accounting for 1.6% of loans.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEWPORT NEWS ASSESSMENT AREA**

**LENDING TEST**

Lending performance in this assessment area is considered adequate. This conclusion is based on the evaluation of geographic distribution and borrower distribution, while taking into account the bank's market strategy, area demographic data, and aggregate CRA and HMDA data. No community development loans were originated in this area.

**Lending Activity:**

Bank lending activity within this market (12.4% of the total number and 14.9% of the dollar volume of loans extended during the review period) is generally consistent with the percentage of branch offices (16.7%) but higher than the proportion of deposits (3.4%) within the assessment area. The bank has only one branch located in this market.

**Geographic Distribution:**

The following tables present data about the bank's lending, and discussion of performance follows each table.

Distribution of HMDA Loans by Income Level of Geography

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	58	159	90	307
Percentage of Total Loans	0%	18.9%	51.8%	29.3%	100%
Total Amount of Loans (000's)	0	\$6,977	\$20,275	\$17,296	\$44,548
Percentage of Total Amount	0%	15.7%	45.5%	38.8%	100%

The bank extended no loans in low-income tracts; however, only 2.5% of owner-occupied housing units are in such tracts, and aggregate data shows 1.6% of all reported loans in such tracts. Nonetheless, the bank's performance is considered poor. The bank's performance in moderate-income areas is good compared to the 2004 aggregate level in this market (19.2%), and approximates the percentage of owner-occupied housing units in moderate-income areas (19.4%). In 2005, the bank made 2 (.8%) loans in low-income tracts. The bank's 2005 performance in moderate-income areas decreased to 14.7% of its loans. The bank's level of performance considering both years' data is considered adequate, giving greater weight to performance in moderate-income areas in light of the relative demand among low- and moderate-income areas.

Distribution of Small Business Loans by Income Level of Geography

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	20	14	47	81
Percentage of Total Loans	0%	24.7%	17.3%	58%	100%
Total Amount of Loans (000's)	0	\$2,745	\$4,005	\$6,183	\$12,933
Percentage of Total Amount	0%	21.2%	31%	47.8%	100%

D&B data from 2005 indicates that 4.5% of all area businesses are in low-income tracts, while 32.2% are located in moderate-income census tracts. Of all lenders reporting small business loans in the assessment area for 2004, 3.5% were to businesses in low-income tracts while 34.8% of loans were to businesses located in moderate-income tracts. As shown in the preceding table, in 2004, the bank extended no loans in low-income tracts and bank lending to businesses in moderate-income tracts was somewhat lower than the demand proxies. Resource Bank's performance in 2005 is substantially similar to its performance in 2004. The bank's lending reflects an overall marginally adequate distribution of small business loans.

The overall geographic loans distribution within this assessment area is considered adequate given the institution's size, branch location, and the effective demand for credit.

**Distribution by Borrower Income and Revenue Size of the Business:**

Distribution of HMDA Loans by Income Level of Borrower

For calendar year 2004, the bank reported a total of 307 HMDA loans within the assessment area; however, eight of these did not contain income data and are excluded from the following analysis.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	14	63	85	137	299
Percentage of Total Loans	4.7%	21.1%	28.4%	45.8%	100%
Total Amount of Loans (000's)	\$1,123	\$6,808	\$11,245	\$24,830	\$44,006
Percentage of Total Amount	2.5%	15.5%	25.6%	56.4%	100%

Demographic data from 2000 census indicated that within the assessment area 20.3% and 19.4% of families are low- and moderate-income, respectively. According to 2004 aggregate HMDA data, 6.3% of loans extended were to low-income and 22.4% were to moderate-income borrowers. The bank's HMDA lending to both low- and moderate-income borrowers is comparable to the aggregate demand proxy. The bank's 2005 performance is similar to its 2004 performance. The bank's lending to borrowers of different income levels is considered good.

Distribution of Lending by Loan Amount and Size of Business

	\$0 - \$100,000		>\$100,000 TO \$250,000		> \$250,000		TOTAL	
Number Total Revenues ≤ \$1 Million	47	58%	18	22.2%	10	12.3%	75	92.6%
Number Total Revenues > \$1 Million	2	2.5%	1	1.2%	3	3.7%	6	7.4%
Totals	49	60.5%	19	23.5%	13	16%	81	100%

According to aggregate small business data, of all loans reported (originated and purchased) in 2004, 34.8% were to businesses with annual revenues of \$1 million or less. D&B data indicates that 88.9% of all local businesses have revenues that do not exceed \$1 million per year. In 2004, 92.6% of Resource Bank's small business loans were to businesses with annual revenues of \$1 million or less. The bank's performance during 2005 decreased to 69.4% of small business loans to businesses with annual revenues if \$1 million or less. Nonetheless, the bank's level of lending is considered excellent.

Overall, the distribution of loans to borrowers of different income levels and to businesses of different sizes is considered good using aggregate data and area demographics as proxies for demand.

**Community Development Lending:**

To the extent the bank originated any community development loans, such financing has been reported as small business or HMDA loans.

**INVESTMENT TEST**

As mentioned previously, the bank holds \$2.9 million in qualified investments that benefit the commonwealth, including each of the bank's assessment areas. Overall, the institution has a significant level of qualified investments and is supportive of community development initiatives.

Resource Bank also routinely makes grants and/or donations to a variety of organizations that stimulate and assist community development. Specifically, donations totaling \$1,250 were provided to various organizations in this assessment area that promote community development in low- and moderate-income areas.

**SERVICE TEST**

Within the Newport News assessment area, Resource Bank's performance under the service test is considered low satisfactory. Systems for delivering retail-banking services are accessible to essentially all portions of the assessment area, including low- and moderate-income areas.

**Retail Services:**

Delivery systems are accessible to all portions of the assessment area. ATMs are available and, through a network, provide customers with 24-hour nationwide access. Bank-by-mail and bank-by-computer services are also offered by the institution. In addition, the institution provides customers with 24-hour telephone access to their accounts through an automated system.

The institution has one office within this assessment area, which is located in a moderate-income census tract. Branch location and business hours are considered convenient and meet the needs of the assessment area.

**Community Development Services:**

Resource Bank has not participated in any qualified community development services that are specific to the Newport News assessment area. However, as previously mentioned, bank support for organizations located in the Virginia Beach market benefit the neighboring Newport News market as well.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN NORTHERN VIRGINIA, VIRGINIA (MSA)  
ASSESSMENT AREA**

Located within the Washington-Arlington-Alexandria DC-VA-MD-WV MSA, the Northern Virginia assessment area encompasses 205 census tracts within the Cities of Fairfax, Alexandria, and Falls Church and the County of Fairfax. Of these tracts, three are low-income, 23 are moderate-income, 68 are middle-income, 110 are upper-income, and the income is unknown in one tract. According to the 2000 census data, the assessment area has a population of 1,129,907 and a median housing value of \$220,507. The owner-occupancy rate for the area is 64.6% which is higher than both the MSA (58.8%) and the commonwealth (63.3%). The 2004 median family income for the MSA is \$82,300. Within the assessment area, 3.3% of families are considered to be living below the poverty level, which is lower than both the MSA rate of 5.5% and the commonwealth rate of 7%.

The following table provides demographic data for the assessment area by the income levels of area families and revenue amount of businesses. The distribution of families and businesses among geographies of varying income levels is also included.

Northern Virginia (MA 47894) ASSESSMENT AREA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	3	1.5	2,936	1.0	382	13.0	37,684	13.0
Moderate	23	11.2	28,600	9.9	2,694	9.4	39,359	13.6
Middle	68	33.2	96,250	33.3	4,102	4.3	58,251	20.2
Upper	110	53.7	161,249	55.8	2,455	1.5	153,741	53.2
NA	1	0.5	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>205</b>	<b>100.0</b>	<b>289,035</b>	<b>100.0</b>	<b>9,633</b>	<b>3.3</b>	<b>289,035</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low	5,993	575	0.2	9.6	5,278	88.1	140	2.3
Moderate	54,900	17,328	6.1	31.6	35,366	64.4	2,206	4.0
Middle	158,318	91,474	32.5	57.8	62,310	39.4	4,534	2.9
Upper	217,380	172,463	61.2	79.3	40,315	18.5	4,602	2.1
NA	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>436,591</b>	<b>281,840</b>	<b>100.0</b>	<b>64.6</b>	<b>143,269</b>	<b>32.8</b>	<b>11,482</b>	<b>2.6</b>
	Total Businesses by Tract	Businesses by Tract and Revenue Size						
		Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
		#	%	#	%	#	%	%
Low	199	0.4	168	0.4	11	0.2	20	1.2
Moderate	3,713	7.0	3,232	7.1	337	5.5	144	8.8
Middle	18,619	34.9	15,704	34.5	2,295	37.3	620	38.0
Upper	30,826	57.8	26,470	58.1	3,509	57.0	847	51.9
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>53,357</b>	<b>100.0</b>	<b>45,574</b>	<b>100.0</b>	<b>6,152</b>	<b>100.0</b>	<b>1,631</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			85.4		11.5		3.1	
	Total Farms by Tract	Farms by Tract and Revenue Size						
		Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
		#	%	#	%	#	%	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	9	6.5	9	6.8	0	0.0	0	0.0
Middle	39	28.1	36	27.1	3	50.0	0	0.0
Upper	91	65.5	88	66.2	3	50.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>139</b>	<b>100.0</b>	<b>133</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>			95.7		4.3		0.0	

NA Tracts are tracts without household or family income.

Although the economy of the assessment area is diverse with a mix of retail, service, and technology-based industries, the region relies directly and indirectly on the Federal Government for the majority of its employment opportunities.

Within the Northern Virginia assessment area, the February 2006 unemployment rates for the Cities of Alexandria, Fairfax, and Falls Church and the County of Fairfax are 2.3%, 2.3%, 2.7%, and 2.2%, respectively. The unemployment rate for the Commonwealth of Virginia is 3.2%.

Resource Bank operates one branch in the assessment area. As of June 2005, the institution ranked 19<sup>th</sup> in deposit market share in the assessment area with .4% of FDIC insured deposits. Based on 2004 aggregate lending data, Resource Bank ranked 104<sup>th</sup> for mortgage lending accounting for .2% of loans and ranked 39<sup>th</sup> in small business/farm lending with <.1% of the loans.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NORTHERN VIRGINIA ASSESSMENT AREA**

**LENDING TEST**

The overall performance within this assessment area is considered adequate. This conclusion is based on the evaluation of geographic distribution and borrower distribution, while taking into account the bank's market strategy, area demographic data, and aggregate CRA and HMDA data. No community development loans were originated in this area.

**Lending Activity:**

Bank lending activity within this market (12.4% of the total number and 13.8% of the dollar volume of loans extended during the review period) is generally consistent with the percentage of branch offices (16.7%) and lower than the proportion of deposits (23.2%) within the assessment area. The bank has only one branch located in this market.

**Geographic Distribution:**

The following tables present data about the bank's lending, and discussion of performance follows each table.

Distribution of HMDA Loans by Income Level of Geography

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	28	89	99	216
Percentage of Total Loans	0%	13%	41.2%	45.8%	100%
Total Amount of Loans (000's)	\$0	\$4,491	\$16,301	\$25,187	\$45,979
Percentage of Total Amount	0%	9.8%	35.5%	54.7%	100%

The review of 2004 HMDA loans originated with this assessment area reveals that the institution has a good level of lending within moderate-income census tracts. Penetration in these areas is higher than both the percentage of owner-occupied housing units (6.1%) and the aggregate level of lending (10.3%) in such tracts. Both the demographic proxy (.2%) and 2004 aggregate data (.2%) reveal minimal demand in low-income tracts. The bank's 2005 performance in moderate-income areas increased to 16.6%. The bank's level of performance is considered good.

Distribution of Small Business Loans by Income Level of Geography

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	0	1	12	13
Percentage of Total Loans	0%	0%	7.7%	92.3%	100%
Total Amount of Loans (000's)	0	\$0	\$50	\$3,537	\$3,587
Percentage of Total Amount	0%	0%	1.4%	98.6%	100%

D&B data from 2005 indicates that .4% and 7% of all area businesses are located in low-income and moderate-income census tracts, respectively. Of all lenders reporting small business loans in the assessment area for 2004, .4% and 6.5% of loans were to businesses located in low- and moderate-income tracts. The institution made no small business loans in low- and moderate-income tracts during 2004 or 2005. Proxies for demand do suggest limited demand in such tracts, and because the bank extended only 13 total small business loans in this assessment area, conclusions about lending distribution are not particularly meaningful. Nonetheless, the absence of any loans in low- and moderate-income tracts is considered poor.

The overall geographic loan distribution within this assessment area is considered adequate given the institution's size, branch location, and the effective demand for credit.

**Distribution by Borrower Income and Revenue Size of the Business:**

Distribution of HMDA Loans by Income Level of Borrower

For calendar year 2004, the bank reported a total of 216 HMDA loans within the assessment area; however, 28 of these did not contain income data and are excluded from the following analysis.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	1	22	73	92	188
Percentage of Total Loans	.5%	11.7%	38.9%	48.9%	100%
Total Amount of Loans (000's)	\$176	\$3,269	\$12,017	\$24,541	\$40,003
Percentage of Total Amount	.4%	8.2%	30%	61.4%	100%



Demographic data from 2000 census indicated that within the assessment area 13% and 13.6% of families are low- and moderate-income, respectively. According to 2004 aggregate HMDA data, 4.4% of loans extended were to low-income and 18.4% were to moderate-income borrowers. The bank's HMDA lending to low-income borrowers is below both proxies for demand but its lending in moderate-income tracts is comparable to the demand proxies. The bank's 2005 lending increased slightly for both low- and moderate-income borrowers. The bank's lending to borrowers of different income levels is considered adequate.

Distribution of Lending by Loan Amount and Size of Business

	\$0 - \$100,000		>\$100,000 TO \$250,000		> \$250,000		TOTAL	
	Number Total Revenues ≤ \$1 Million	5	38.5%	1	7.7%	0	0%	6
Number Total Revenues > \$1 Million	0	0%	1	7.7%	6	46.2%	7	53.8%
Totals	5	38.5%	2	15.4%	6	46.2%	13	100%

D&B data indicate that 85.4% of all local businesses have revenues that do not exceed \$1 million per year. During the evaluation period, 46.2% of Resource Bank's small business loans were to businesses with annual revenues of \$1 million or less, and 38.5% of all loans were in amounts of \$100,000 or less. For 2004 aggregate, 32% of reported loans were to businesses with revenues of \$1 million or less. Bank lending to businesses with revenues of \$1 million or less is considered adequate; however, the extremely small volume limits the usefulness of this conclusion.

Overall, the distribution of loans to borrowers of different income levels and to businesses of different sizes is considered adequate using aggregate data and area demographics as proxies for demand.

**Community Development Lending:**

To the extent the bank originated any community development loans, such financing has been reported as small business or HMDA loans.

**INVESTMENT TEST**

As mentioned previously, investments have been made totaling \$2.9 million that benefit a broader statewide area that includes the bank's assessment areas.

**SERVICE TEST**

Within the Northern Virginia assessment area, Resource Bank's performance under the service test is considered low satisfactory. Systems for delivering retail banking services are accessible to essentially all portions of the assessment area, including low- and moderate-income areas, but no community development services were identified.

**Retail Services:**

Delivery systems are accessible to all portions of the assessment area. ATMs are available and, through a network, provide customers with 24-hour nationwide access. Bank-by-mail and bank-by-computer services are also offered by the institution. In addition, the institution provides customers with 24-hour telephone access to their accounts through an automated system.

The institution has one office within this assessment area. Although the bank does not have a branch located in a low- or moderate-income geography, it does not appear that this has impaired the bank's ability to reasonably serve the population residing in such areas (based on 2000 Census, 1.3% in low-income and 11.3% in moderate-income). Branch location and business hours are considered convenient and meet the needs of the assessment area.

**Community Development Services:**

Resource Bank has not participated in any qualified community development services that are specific to the Northern Virginia assessment area.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN RICHMOND ASSESSMENT AREA**

The bank's fourth market area includes the City of Richmond and the Counties of Hanover, Henrico, and Chesterfield, Virginia. Located in the central portion of the commonwealth and included in the Richmond-Petersburg MSA, the Richmond assessment area consists of 202 census tracts, of which 19 are considered low-income, 40 are moderate-income, 83 are middle-income, and 60 are upper-income. According to the 2000 census data, the assessment area has a population of 806,313 and a median housing value of \$118,745. The owner-occupancy rate for the area is 63.4%, which is lower than the MSA (64.6%) and consistent with the commonwealth (63.3%). The 2004 median family income for the MSA is \$63,100. Within the assessment area, 6.5% of families are considered to be living below the poverty level, which is lower than both the MSA rate of 6.9% and the commonwealth rate of 7%.

The following table provides demographic data for the assessment area by the income levels of area families and revenue amount of businesses. The distribution of families and businesses among geographies of varying income levels is also included.

Richmond (MA 40060) ASSESSMENT AREA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	19	9.4	11,627	5.5	4,302	37.0	37,702	17.8
Moderate	40	19.8	34,058	16.1	4,451	13.1	35,816	17.0
Middle	83	41.1	87,245	41.3	3,701	4.2	47,341	22.4
Upper	60	29.7	78,363	37.1	1,273	1.6	90,434	42.8
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>202</b>	<b>100.0</b>	<b>211,293</b>	<b>100.0</b>	<b>13,727</b>	<b>6.5</b>	<b>211,293</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner Occupied		Rental		Vacant		
		#	%	#	%	#	%	
Low	21,890	6,035	2.8	27.6	13,329	60.9	2,526	11.5
Moderate	62,739	26,196	12.3	41.8	31,563	50.3	4,980	7.9
Middle	140,261	92,487	43.6	65.9	41,952	29.9	5,822	4.2
Upper	109,865	87,514	41.2	79.7	18,487	16.8	3,864	3.5
NA	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>334,755</b>	<b>212,232</b>	<b>100.0</b>	<b>63.4</b>	<b>105,331</b>	<b>31.5</b>	<b>17,192</b>	<b>5.1</b>
	Total Businesses by Tract	Businesses by Tract and Revenue Size						
		Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
		#	%	#	%	#	%	
Low	2,990	9.8	2,328	8.9	446	13.6	216	20.9
Moderate	4,355	14.3	3,585	13.7	616	18.8	154	14.9
Middle	12,490	41.0	10,817	41.4	1,282	39.1	391	37.9
Upper	10,607	34.8	9,401	36.0	935	28.5	271	26.3
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>30,442</b>	<b>100.0</b>	<b>26,131</b>	<b>100.0</b>	<b>3,279</b>	<b>100.0</b>	<b>1,032</b>	<b>100.0</b>
Percentage of Total Businesses:			85.8		10.8		3.4	
	Total Farms by Tract	Farms by Tract and Revenue Size						
		Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
		#	%	#	%	#	%	
Low	3	1.4	3	1.4	0	0.0	0	0.0
Moderate	5	2.3	4	1.9	1	25.0	0	0.0
Middle	114	52.5	112	52.6	2	50.0	0	0.0
Upper	95	43.8	94	44.1	1	25.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>217</b>	<b>100.0</b>	<b>213</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
Percentage of Total Farms:			98.2		1.8		0.0	

NA Tracts are tracts without household or family income.

Employment opportunities within the market are varied among the service, government, retail/wholesale trade, and manufacturing industries. Major employers in the area include Capital One Financial Corporation, Paramount's Kings Dominion, Bear Island Paper Company, Tyson's Foods, Circuit City, and HCA, Inc. Healthcare.

Within the Richmond assessment area, the February 2006 unemployment rates for the City of Richmond and the Counties of Hanover, Henrico, and Chesterfield are 4.9%, 2.5%, 3%, and 2.9%, respectively. The unemployment rate for the Commonwealth of Virginia is 3.2%.

Resource Bank operates one branch in the assessment area. As of June 2005, the institution had a minimal share (<.1%) of the deposits in the assessment area. Based on 2004 aggregate lending data, Resource Bank ranked 37<sup>th</sup> in mortgage lending, accounting for .6% of loans and ranked 32<sup>nd</sup> in small business/farm lending with .1% of the loans.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN RICHMOND ASSESSMENT AREA**

**LENDING TEST**

Overall, the distribution of loans to borrowers of different income levels and to businesses of different sizes is considered good using aggregate data and area demographics as proxies for demand. Also, a community development loan of substantial size was made in this assessment area.

**Lending Activity:**

Bank lending activity within this market (19.4% of the total number and 17.1% of the dollar volume of loans extended during the review period) is generally consistent with the percentage of branch offices (16.7%) in the area but much greater than the proportion of bank deposits (2.1%) from this market. The bank has only one branch located in this market.

**Geographic Distribution:**

The following tables present data about the bank's lending, and discussion of performance follows each table.

Distribution of HMDA Loans by Income Level of Geography

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	3	69	231	188	491
Percentage of Total Loans	.6%	14.1%	47%	38.3%	100%
Total Amount of Loans (000's)	\$588	\$8,149	\$32,843	\$39,237	\$80,817
Percentage of Total Amount	.7%	10.1%	40.6%	48.6%	100%

The review of 2004 HMDA loans originated within this assessment area reveals that the institution's lending penetration is lower than the percentage of owner-occupied housing units in low-income tracts (2.8%) but greater than the percentage in moderate-income tracts (12.3%). The 2004 aggregate lending shows 2.4% of loans in low-income and 12.2% in moderate-income geographies. A review of the 2005 HMDA loans indicated that the institution had a slight increase in the level of lending within low-income (1.5%) and moderate-income (15.4%) census tracts. Considering both years, this performance is good.

Distribution of Small Business Loans by Income Level of Geography

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	3	16	7	26
Percentage of Total Loans	0%	11.5%	61.5%	27%	100%
Total Amount of Loans (000's)	\$0	\$1,742	\$3,866	\$2,036	\$7,644
Percentage of Total Amount	0%	22.8%	50.6%	26.6%	100%

D&B data from 2005 indicates that 9.8% and 14.3% of all area businesses are located in low-income and moderate-income census tracts, respectively. Of small business loans reported by all lenders in the assessment area for 2004, 6.3% were in low-income and 13% were in moderate-income tracts. As shown in the preceding table, the bank's 2004 lending to businesses in moderate-income tracts was comparable to the demand proxies, but no loans were extended in low-income tracts. Resource Bank's performance in 2005 is substantially similar to its performance in 2004. The bank's lending performance is considered marginally adequate based primarily on the higher demand in moderate tracts and the relatively small volume of loans.

The overall geographic distribution of loans within this assessment area is considered adequate given the institution's size, branch location, and the effective demand for credit.

**Distribution by Borrower Income and Revenue Size of the Business:**

Distribution of HMDA Loans by Income Level of Borrower

For calendar year 2004, the bank reported a total of 491 HMDA loans within the assessment area; however, 14 of these did not contain income data and are excluded from the following analysis.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	29	113	160	175	477
Percentage of Total Loans	6.1%	23.7%	33.5%	36.7%	100%
Total Amount of Loans (000's)	\$2,585	\$14,369	\$22,749	\$39,020	\$78,723
Percentage of Total Amount	3.3%	18.3%	28.9%	49.5%	100%

Demographic data from 2000 census indicates that within the assessment area 17.8% and 17% of families are low- and moderate-income, respectively. According to 2004 aggregate HMDA data, 9.3% of loans extended were to low-income and 25.5% were to moderate-income borrowers. The aggregate data suggests a much lower effective demand for credit among low-income borrowers. The bank's HMDA lending to low-income borrowers is slightly below the aggregate level of lending, but in the case of moderate-income borrowers, bank performance exceeds the demographic proxy and is only slightly less than the aggregate. The bank's 2005 performance is similar to its 2004 performance. The bank's lending to borrowers of different income levels is considered good.

Distribution of Lending by Loan Amount and Size of Business

	\$0 - \$100,000		>\$100,000 TO \$250,000		> \$250,000		TOTAL	
Number Total Revenues ≤ \$1 Million	5	19.2%	9	34.6%	6	23.1%	20	76.9%
Number Total Revenues > \$1 Million	1	3.8%	1	3.8%	4	15.5	6	23.1%
Totals	6	23.1%	10	38.4%	10	38.5	26	100%

According to aggregate small business data, of all loans reported (originated and purchased) in 2004, 33.3% were to businesses with annual revenues of \$1 million or less. The remaining portion of businesses had revenues exceeding \$1 million or revenue data was not determined. D&B data indicates that 85.8% of all local businesses have revenues that do not exceed \$1 million per year. In 2004, 76.9% of Resource Bank's small business loans were to businesses with annual revenues of \$1 million or less. In 2005, the percentage of the bank's small business loans to businesses with annual revenues of \$1 million or less decreased to 38.9%. Nonetheless, the distribution of lending is considered good.

Overall, the distribution of loans to borrowers of different income levels and to businesses of different sizes is considered good using aggregate data and area demographics as proxies for demand.

**Community Development Lending:**

Within the Richmond assessment area, Resource Bank originated the following community development loan:

- A loan totaling \$5.6 million for the acquisition and renovation of a 168 unit apartment complex. Once renovations are completed, the 168 two bedroom units will rent at a rate of \$495 per month. Although the complex does not accept Section 8 vouchers, the rental rate is considered affordable and below the average rent for the Richmond MSA. Additionally, this apartment complex is located in a moderate-income census tract.

**INVESTMENT TEST**

As discussed previously, investments have been made totaling \$2.9 million that benefit a broader statewide area that includes the bank's assessment areas.

**SERVICE TEST**

Within the Richmond assessment area, Resource Bank's performance under the service test is considered adequate. Systems for delivering retail-banking services are accessible to essentially all portions of the assessment area, including low- and moderate-income areas.

**Retail Services:**

Delivery systems are accessible to all portions of the assessment area. ATMs are available and, through a network, provide customers with 24-hour nationwide access. Bank-by-mail and bank-by-computer services are also offered by the institution. In addition, the institution provides customers with 24-hour telephone access to their accounts through an automated system.

The institution has one office within this assessment area. Although the bank does not have a branch located in a low- or moderate-income geography, it does not appear that this has impaired the bank's ability to reasonably serve the population residing in such areas (based on 2000 Census, 6.3% in low-income and 17.6% in moderate-income). Branch location and business hours are considered convenient and meet the needs of the assessment area.

**Community Development Services:**

Resource Bank has not participated in any qualified community development services that are specific to the Richmond assessment area.



CRA APPENDIX A

SCOPE OF EXAMINATION

List of Assessment Areas and Type of Evaluation		
Assessment Area	Type of Evaluation	Branches Visited
Newport News	Full-Scope	None
Virginia Beach	Full-Scope	4429 Bonney Road Virginia Beach, VA 23462
Northern Virginia	Full-Scope	None
Richmond	Full-Scope	None

CRA APPENDIX B  
BRANCH, LOAN, AND DEPOSIT VOLUME BY ASSESSMENT AREA

Loan volume data reflects the HMDA, small business, and small farm loans reported by the institution from January 1, 2004, through December 31, 2005. Deposit volume data was reported to the Federal Deposit Insurance Corporation and is current through June 30, 2005.

	Loans				Branches		Deposits	
	#	%	\$	%	#	%	\$	%
Newport News	712	12.4%	\$168,211	14.9%	1	16.6%	\$26,038	3.4%
Virginia Beach	3,211	55.8%	\$610,288	54.2%	3	50%	\$538,905	71.2%
Northern Virginia	714	12.4%	\$154,808	13.8%	1	16.7%	\$175,730	23.2%
Richmond	1,118	19.4%	\$192,590	17.1%	1	16.7%	\$15,986	2.2%
TOTALS	5,755	100%	\$1,125,897	100%	6	100%	\$756,659	100%

CRA APPENDIX C

GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status and living conditions to allow for statistical comparisons.

**Community development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

**Full review:** Performance under the lending, investment and service tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity and responsiveness).

**Geography:** A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act ("HMDA"):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as race, gender and income of applications, amount of loan requested, and disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited review:** Performance under the lending, investment and service tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan area ("MA"):** Any primary metropolitan statistical area ("PMSA"), metropolitan statistical area ("MSA"), or consolidated metropolitan statistical area ("CMSA"), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Small loan(s) to business(es):** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income ("Call Report") and the Thrift Financial Reporting ("TFR") instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in "loans to small farms" as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500 thousand or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.