

**PUBLIC DISCLOSURE**

September 23, 2002

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

NAB Bank  
RSSD # 209139

222 West Cermak  
Chicago, IL 60616

Federal Reserve Bank of Chicago  
230 South LaSalle Street  
Chicago, IL 60604

**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'S CRA RATING:** This institution is rated Satisfactory.

The bank has provided its community credit consistent with its size, financial capacity, location, economic conditions, and the competitive factors within its assessment areas. The bank's loan-to-deposit ratio meets the standards for satisfactory performance; however, the bank needs to improve its lending in the assessment area as a majority of the bank's loans were originated outside of the assessment areas. Of those loan made in the assessment area the bank shows a reasonable level of lending to borrowers of different incomes and to businesses of different sizes. The geographic distribution of the bank's loans also demonstrates a reasonable level of lending throughout the assessment area, especially in low- and moderate-income census tracts. The examination revealed no patterns or practices intended to discriminate or discourage loan applications from any member of a protected class. Additionally, there were no CRA-related complaints received by the bank since the previous examination.

The bank's CRA performance was previously evaluated August 24, 1998 by the Federal Reserve Bank of Chicago at which time it was rated satisfactory.

#### **DESCRIPTION OF INSTITUTION**

NAB Bank, with total assets of \$177,381 million as of June 30, 2002, is a subsidiary of New Asia Bancorp, Inc., a one-bank holding company located in Chicago, IL. The bank's main office is located in Chinatown Community at 222 W. Cermak Road in Chicago, IL and its three branches are located at 4928 N. Broadway in Chicago, IL; 8301 S. Cass Avenue in Darien, IL; and 665 Pasquinelli Drive in Westmont, IL. The main office and all three branches are full-service, offering both loan and deposit products. Each branch also has one ATM. The bank's drive-up facility located at 242 W. Cermak Road in Chicago, IL performs only deposit functions and also operates an automated teller machine (ATM). One off-site ATM is located in the Best Western Hotel at 1100 S. Michigan Ave, Chicago, IL 60605.

The bank offers traditional consumer loans, business-purpose loans, and deposit products. Consumer loans include real estate, installment, and single-payment loans, home equity loans, and personal reserve accounts/overdraft lines-of-credit.

The bank's peer group includes all insured commercial banks with assets between \$100 million and \$300 million with three or more banking offices located in a metropolitan area. According to the bank, major local competitors include Lakeside Bank, Charter One Bank, Pacific Global Bank, South Central Bank, American Metro Bank, International Bank, Broadway Bank, Hinsbrook Bank and Trust, West Suburban Bank, Republic Bank, Harris Trust and Savings Bank, and Uptown National Bank. As of June 30, 2001, there are 242 Federal Deposit Insured Corporation (FDIC)-insured institutions in Cook County with approximately \$162.35 billion in deposits. NAB Bank has .08% of the market share with

\$132.35 million in deposits.

Exhibit 1 shows the composition of the loan portfolio based on information provided in the June 30, 2002 Uniform Bank Performance Report (UBPR). As illustrated, the loan portfolio is primarily composed of 1-4 family residential mortgages and nonfarm/nonresidential properties.

#### Exhibit 1 – Composition of Loan Portfolio

Product	% of Net Loans and Leases
Construction and Development	6.45
1-4 Family Residential Mortgage	35.59
Nonfarm/Nonresidential Properties	36.53
Multifamily	12.52
Commercial and Industrial	6.87
Consumer (Installment/Single Pay)	2.19
All other	0.07

There are no apparent factors relating to the bank's financial conditions, size, products offered, prior performance, legal impediments, or local economic conditions that would prevent the bank from meeting the community's credit needs

#### DESCRIPTION OF ASSESSMENT AREA

*An institution's assessment area(s) will include the towns, counties, or other political subdivisions where its branches are located and a substantial portion of its loans are made. Assessment area(s) must consist of one or more geographies defined by block numbering areas (BNAs) or census tracts, which are statistical subdivisions of a county. Census tracts are primarily used in metropolitan areas, while BNAs are used in non-metropolitan areas. 1990 U.S. Bureau of Census data is used in this evaluation, unless stated otherwise.*

NAB Bank has three assessment areas, which have not changed since the previous examination. The bank's Chinatown (main office) and Broadway branches comprise two separate assessment areas and the Darien and Westmont branches collectively comprise the third assessment area. The three assessment areas are located within the Chicago Metropolitan Statistical Area (MSA). The main office and Broadway branch are located in Cook County and the Darien and Westmont branches are located in DuPage County.

The three assessment areas were combined and evaluated as one assessment area for the purpose of this CRA evaluation. Therefore any reference to the bank's assessment area represents all three areas combined.

The bank’s assessment area is comprised of 140 census tracts; of which, 44 are defined as low-income, 44 are moderate-income, 22 are middle-income and 22 are upper-income census tracts. Eight of the 140 census tracts located in the Broadway and Chinatown assessment area have income levels defined as “not applicable.” The Darien/Westmont assessment area contains only upper- and middle-income census tracts and the Broadway and Chinatown assessment areas contain a majority of low- and moderate-income tracts.

According to the 1990 census data, the population of the assessment area is 443,419 and the population of the Chicago MSA is 7,410,858. Updated census data for 2000 states the population of the Chicago MSA is 8,277,768.

**Income Characteristics**

Exhibit 2 shows the median family income and the distribution of families by income level for the assessment area, in comparison to the entire Chicago MSA and to the State of Illinois based on census data.

**Exhibit 2 – Median Family Income and Distribution of Families by Income Level**

Location	Median Family Income (\$)	Percent of Families				
		Low	Moderate	Middle	Upper	Below Poverty Level
Assessment Area	38,039	31.5	17.3	18.8	32.5	17.6
MSA #1600	42,758	19.8	17.4	24.0	38.8	8.6
State of Illinois	38,664	20.0	17.9	24.2	38.0	9.0

*Low-income is defined as less than 50% of median family income, moderate-income as 50% to less than 80% of median family income, middle-income as 80% to less than 120% of median family income, and upper-income as 120% or more of median family income.*

In contrast to the 1990 income shown in Exhibit 2, information provided by the Department of Housing and Urban Development (HUD) indicates that the 2001 median family income for the Chicago MSA is \$70,500.

**Housing Characteristics and Affordability**

Based on census data, housing in the assessment area consists of 192,399 units.

Approximately 33.7% of the units are owner-occupied, 56.2% are occupied rental units, and 10.1% are vacant units. In contrast, the percentages for the Chicago MSA are 57.1%, 36.6%, and 6.3%, respectively. The median age of housing stock in the assessment area is 36 years, in comparison to 45 years for the MSA and 38 years for the State of Illinois. The median housing value for the assessment area is \$153,682, compared to the MSA at \$108,960, and the State of Illinois at \$80,114.

*Affordability ratios, developed by dividing the median household income by the median household value for a given area or groups of geographies, are helpful in comparing costs for different areas. An area with a higher ratio generally has more affordable housing than an area with a lower ratio.*

The affordability ratios for the assessment area, Chicago MSA, and the State of Illinois are 19.6%, 33.3% and 40.3%, respectively, indicating that housing is generally less affordable in the bank’s assessment area than in the State of Illinois and the MSA.

**Labor and Employment**

According to the U.S. Department of Labor, as of July 2001, the Chicago MSA, the State of Illinois and Cook County had identical unemployment rates of 5.4% while DuPage County had an unemployment rate of 3.9%. However, as of July 2002, the unemployment rates had increased to 6.7% for the Chicago MSA, 7.0% for the State of Illinois, 7.6% for Cook County and 5.3% for DuPage County. Exhibit 3 below depicts the major employers in Cook and DuPage Counties

**Exhibit 3 – Primary Employers in Cook and DuPage Counties\***

<b>Cook County</b>			
<b>Employer</b>	<b>Product/Service</b>	<b>Location</b>	<b>Employees</b>
Chicago Board of Education	Education/Administration	Chicago	45,000
City of Chicago	City Government	Chicago	41,700
Federal Government	Government Agencies	Cook County	37,000
County of Cook	County Government	Cook County	26,900
U.S. Postal Service	Postal Service	Cook County	25,700
<b>DuPage County</b>			
Lucent Technologies	Technology	Oak Brook	12,500
Edward Hospital	Health Care	Naperville	5,000
Argonne National Laboratories	Research	Warrenville	4,200
U.S. Postal Service	Postal Service	DuPage County	4,000

Jewel Foods/Osco	Retail	DuPage County	3,700
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\*Sources: Illinois Department of Commerce and Community Affairs

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

**Loan-to-Deposit (LTD) Ratio**

*The bank's average loan-to-deposit ratio, calculated from data contained in the Consolidated Reports of Condition, was evaluated giving consideration to the bank's capacity to lend, competitor and peer’s loan-to-deposit ratios, as well as demographic factors, economic conditions and lending opportunities present in the assessment area.*

The bank meets the standards for satisfactory performance. The bank’s LTD ratio is reasonable when compared to the LTD ratios of its national peer group and a sample of local competitors, as shown in Exhibit 4. Uniform Bank Performance Reports were used to obtain the ratios shown in Exhibit 4 below.

**Exhibit 4 – LTD Ratios for NAB Bank, Peer Group, and a Sample of Local Competitors**

Bank Name, City, and Assets as of 6/2002	LTD Ratio by Quarter								
	9/00 (%)	12/00 (%)	3/01 (%)	6/01 (%)	9/01 (%)	12/01 (%)	3/02 (%)	6/02 (%)	Avg.
NAB Bank, Chicago, IL \$177.4 million	79.39	82.04	80.82	79.62	80.84	84.29	88.01	76.22	81.40
Peer Group	77.52	76.77	76.37	77.24	77.50	77.38	77.02	77.45	77.16
Hinsbrook Bank and Trust, Willowbrook, IL \$321.7 million	71.23	70.63	81.88	76.97	83.53	85.95	82.31	82.56	79.38
Lakeside Bank, Chicago, IL \$391.52 million	86.07	86.33	96.06	97.94	98.51	95.79	99.48	98.16	94.79
Broadway Bank Chicago, IL \$394 million	88.59	90.36	91.25	95.87	100.4	92.08	94.97	86.15	92.46
West Suburban Bank Lombard, IL	75.82	78.60	80.02	80.80	81.30	82.69	78.75	78.48	79.56

\$1.5 billion									
Uptown National Bank Chicago, IL \$347.6 million	81.47	82.73	79.94	86.60	89.06	92.72	92.23	89.88	86.83

**Lending in the Assessment Area**

*To assess the extent of lending within the assessment area, the bank’s HMDA data, consumer installment loans (automobile), and small business loans originated from January 1, 2002 to December 31, 2001 (a 12-month sample) was reviewed. Information from the performance context, such as economic conditions present within the assessment area, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.*

The bank does not meet the standards for satisfactory performance. A majority of the HMDA-reportable, consumer installment and small business loans are outside of the assessment area. The distribution of the bank’s lending is illustrated in Exhibit 5.

**Exhibit 5 – Distribution of Loans In/Out of Assessment Area (AA)**

Loan Type	Total #	# in AA	% in AA
2001 HMDA	158	70	44%
Consumer Installment	117	54	47%
Small Business	79	27	34%
<b>Totals</b>	<b>354</b>	<b>151</b>	<b>43%</b>

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

*The distribution of loans among borrowers of different income levels and businesses of different sizes was determined by reviewing the bank’s HMDA data, consumer installment loans (auto), and small business loans originated from January 1, 2001 to December 31, 2001. Information from the performance context, such as economic conditions present within the assessment area, demographics, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.*

The bank exceeds the standards for satisfactory performance. The bank’s lending activity has strong penetration among borrowers of different income (including low- and moderate-income) levels and businesses of different sizes.

**Exhibit 6 – Loan Distribution of 2001 HMDA-Reportable Loans by Borrower Income Level**

Borrower Income Level	Total Number Of Loans	Percent of Total Loans*	Percent of Families in Assessment Area
Low	19	27.1	31.5
Moderate	24	34.3	17.3

Middle	20	28.6	18.8
Upper	6	8.6	32.5
Income Not Available	1	1.4	N/A
<b>Totals</b>	<b>70</b>	<b>100.0</b>	<b>100.0</b>

Low- and moderate-income (LMI) families comprise 48.8% of all families in the assessment area. Of the total number of HMDA-reportable loans, 61.4% were originated to LMI borrowers. The bank’s level of lending to middle- and upper-income families is relatively consistent with the distribution of family income levels throughout the assessment area.

Included in the bank’s HMDA lending is the bank’s Easy Housing Program. This special mortgage lending program uses flexible underwriting criteria and targets low- and moderate-income applicants. In 2001, the bank originated 82 loans under this program.

**Exhibit 7 – Loan Distribution of Consumer Installment Loans by Income Level**

<b>Borrower Income Level</b>	<b>Total Number Of Loans</b>	<b>Percent of Total Loans*</b>	<b>Percent of Families in Assessment Area</b>
Low	39	72.0	31.5
Moderate	13	24.0	17.3
Middle	2	4.0	18.8
<b>Upper</b>	<b>0</b>	<b>0.0</b>	<b>32.5</b>
<b>Totals</b>	<b>54</b>	<b>100.0</b>	<b>100.0</b>

Exhibit 7 shows the percent of loans to low- and moderate-income (LMI) borrowers at 96%, which substantially exceeds the percent of low- and moderate-income families (48.8%) in the assessment area.

**Small Business Loans**

The distribution of small business loans reflects a reasonable penetration among small businesses. The bank originated 27 small business loans within the assessment area in amounts of \$1 million or less. Of these loans, 22 (81%) were made to businesses with annual revenues less than or equal to \$1 million. Exhibit 8 below illustrates that 59% of small business originations were in amounts of \$250,000 or less.

**Exhibit 8 – Distribution of Small Business Loans by Origination Amount**

<b>Origination Amount</b>	<b>Total # of Loans</b>	<b>% of Total</b>
< = 100,000	10	37%
\$100,000 > < = \$250,000	6	22%
\$250,000 > < = \$1 Million	11	41%
<b>TOTAL</b>	<b>27</b>	<b>100%</b>

**Geographic Distribution of Loans**

*The distribution of lending activities among geographies of different income levels within the assessment area, particularly those defined as low- and moderate-income, was reviewed. To assess the bank's performance, HMDA-reportable, consumer installment (auto), and small business loans originated from January 1, 2001 to December 31, 2001 were reviewed. Demographic characteristics of census tracts, such as housing types and income level, were considered in the evaluation.*

The bank exceeds the standards for satisfactory performance. The geographic distribution of loans reflects a strong dispersion throughout the assessment area, especially in low- and moderate-income census tracts.

**Exhibit 9 – Geographic Loan Distribution of HMDA-related, Consumer Installment Loans and Small Business Loans by Geography Income Level**

LOAN DISTRIBUTION BY CENSUS TRACT CLASSIFICATION AND LOAN TYPE									
Loan Type	Loans in Low- Income Tracts		Loans in Moderate – Income Tracts		Loans in Middle- Income Tracts		Loans in Upper- Income Tracts		Total Loans
	#	%	#	%	#	%	#	%	
2001 HMDA	9	13.4	42	62.7	11	6.4	5	7.5	<b>67</b>
Consumer Installment	24	44.0	28	52.0	1	2.0	1	2.0	<b>54</b>
Small Business	9	33.0	12	44.0	5	19.0	1	4.0	<b>27</b>
<b>Total</b>	<b>42</b>	<b>28.4</b>	<b>82</b>	<b>55.4</b>	<b>17</b>	<b>11.5</b>	<b>7</b>	<b>4.7</b>	<b>148</b>

\* 3 Loans in tracts for which income was not available were not included

Low- and moderate-income census tracts comprise 62% (88/140) of the tracts in the bank’s assessment area. Exhibit 9 indicates that 83.8% (134/148) of the loans were made in low- and moderate-income census tracts.

**Complaints**

Neither the bank nor this Federal Reserve Bank has received any CRA-related complaints since the previous examination.

**Fair Lending**

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A sample of the bank’s lending activities was reviewed to determine whether loan policies and lending standards were in compliance with the fair lending laws and regulations, and implemented on an equitable basis. No evidence of prohibited discriminatory credit

practices was detected.