



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 29, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Advantage National Bank
Charter Number 24150**

**75 E. Turner Avenue
Elk Grove Village, IL 60007**

**Comptroller of the Currency
ADC-Chicago North
85 West Algonquin Road, Suite 340
Arlington Heights, IL 60005**

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

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community

This document is an evaluation of the CRA performance of **Advantage National Bank (ANB)** prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of September 29, 2003. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This evaluation covers the period since January 22, 2001, the date ANB opened for business. This is the first CRA examination for ANB.

INSTITUTION'S CRA RATING

INSTITUTION'S OVERALL CRA RATING: This institution is rated: Satisfactory Record of Meeting Community Credit Needs.

The major factors that support ANB's overall rating include:

- The distribution of loans to borrowers of different income levels is excellent. Lending to businesses of different sizes is excellent.
- The loan-to-deposit ratio is reasonable.
- The level of lending within ANB's designated assessment area is reasonable.

DESCRIPTION OF INSTITUTION

ANB is a \$104 million intrastate financial institution. ANB is headquartered in Elk Grove Village, Illinois, approximately 22 miles northwest of Chicago. ANB is a new bank, which opened for business on January 22, 2001. ANB owns 50 percent of Advantage National Mortgage, L.L.C. No activity from Advantage National Mortgage L.L.C. was considered in this CRA evaluation; subsidiary activities had no impact on ANB's capacity to meet community credit needs.

ANB is a wholly owned subsidiary of Advantage National Bancorp, Inc. (ANBI) which is headquartered in Elk Grove Village, Illinois. As of December 31, 2002, ANBI was a one-bank holding company with no other subsidiaries and approximately \$104 million in consolidated assets.

ANB has two locations and two automated teller machines (ATM). One location and ATM are located in Elk Grove Village, Illinois. The other location and ATM is located in Roselle, Illinois.

As of December 31, 2002, the bank reported approximately \$64 million in outstanding loans and had a net loans and leases to assets ratio of 61 percent. Tier 1 Capital was reported at \$9.1 million. The bank is primarily a commercial lender. Table 1 provides data on the ANB's gross loan portfolio.

Table 1

| Loan Portfolio Composition | | |
|-----------------------------------|------------------|----------------|
| Loan Category | \$(000s) | Percent |
| Commercial Loans | \$ 37,154 | 57.65% |
| Residential Loans | \$ 21,692 | 33.66% |
| Other Loans | \$ 4,402 | 6.83% |
| Individual Loans | \$ 1,199 | 1.86% |
| Total | \$ 64,447 | 100.00% |

There are no financial circumstances, legal constraints or other factors that would hinder ANB'S ability to meet the credit needs of the community. This is the first CRA examination for ANB.

DESCRIPTION OF ADVANTAGE NATIONAL BANK'S ASSESSMENT AREA

ANB has one assessment area (AA) that is comprised of a section of north DuPage County and a section of Cook County west of O'Hare Airport, which are part of the Chicago Metropolitan Area (MA 1600). There are 21 geographies included in the AA. Fourteen geographies are part of DuPage County and seven geographies are part of Cook County. Based on the 1990 Census median income of \$42,758, the 21 geographies consist of one moderate-income area (4.76 percent), six middle-income areas (28.57 percent), and 14 upper-income areas (66.67percent).

The AA meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Major towns in the AA are Elk Grove Village, Bloomingdale, Itasca, and Roselle. ANB's AA is bordered to the north by Interstate 90 and Schaumburg, O'Hare Airport to the east, Route 59 to the west, and Addison and Glendale Heights to the south. The total population in the AA is 149,192 based on the 1990 Census Data. The 2002 HUD adjusted median family income for the AA is \$75,400. There are 40,596 families in the AA, of which 6.8 percent are considered low-income, 11.8 percent are considered moderate-income, 27.5 percent are considered middle-income, and 53.9 percent are considered upper-income.

Based on the 2002 business demographic data, there were a total of 11,849 businesses in the AA. Of these, 8,357 (70.53 percent) had revenues less than \$1 million, 1,791 (15.12 percent) had revenues greater than \$1 million, and 1,701 (14.36 percent) did not report revenue information. Seven percent of the businesses are located in the moderate-income geographies, 44 percent are located in the middle-income geographies, and 49 percent are located in the upper-income geographies.

The local housing demand is strong. The 1990 Census data shows that there are 53,573 housing units within the AA. Of these, 79.58 percent are owner-occupied units, 16.66 percent are rental-occupied units, and 3.77 percent are vacant housing units. The weighted average median housing value in the AA is \$134,790.

The local economy is considered good with a 2002 unadjusted seasonal unemployment rate of approximately 5.1 percent for DuPage County and 7.3 percent for Cook County versus the State of Illinois unemployment rate of 6.5 percent. The major employers in the AA are Alexian Brothers Medical Center, Enesco, Automatic Data Processing, Inc. and John B. Sanfilippo and Sons. The majority of businesses in the AA are small businesses. Approximately 78.51 percent of the businesses have less than 50 employees and 47.09 percent of the businesses have one to four employees.

Competition among financial institutions within the AA is strong. ANB's major competitors within its AA include Bank One representing 13.49 percent of the deposit market share, LaSalle Bank with 11.09 percent, Itasca Bank & Trust with 10.16 percent, and Harris Bank Roselle with 9.00 percent. ANB has 3.02 percent of the deposit market share.

During our examination, we reviewed one community contact interview relating to this AA. The contact was a community based non-for-profit agency. The contact indicated there are no unmet credit needs in the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. ANB's quarterly average loan-to-deposit ratio for the time period of March 31, 2001 was 61.54 percent. The most recent loan-to-deposit ratio (December 2002) was 69.30 percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions located within the AA ranges from 55.05 percent to 86.32 percent. ANB's loan-to-deposit ratio ranked sixth of seven institutions with assets in the range of \$104-343 million in the AA. ANB is a new bank that opened in a highly competitive environment in January 2001.

Lending in Assessment Area

ANB's record of lending within its AA is considered reasonable. The majority of the bank's loans are made within its AA. We sampled 81 loans originated between January 2001 and December 2002. Forty-one commercial loans and 40 residential loans were randomly sampled. Table 2 details the bank's lending within its AA by number of loans sampled and dollar volume of loans sampled. Commercial and residential lending ratios are low because ANB is a new bank that did not establish its permanent location until February 2002. During the evaluation period ANB had only one full time lender concentrating on the communities the bank serves.

Table 2

| Loans Originated in Assessment Area | | | | | |
|-------------------------------------|---------|----------------|---------|-----------------|------------------|
| Loan Type | # In AA | \$ (000) in AA | Total # | Percent # in AA | Percent \$ in AA |
| Commercial* | 22 | \$7,476 | 41 | 53.66% | 45.62% |
| Residential* | 21 | \$1,733 | 40 | 52.50% | 45.01% |
| Total* | 43 | \$ 9,209 | 81 | 53.09% | 45.50% |

*Represents sample of loans selected that were originated from January 2001 through December 2002.

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

The overall rating for ANB's lending to borrowers of different incomes and businesses of different sizes is excellent. The bank's record of extending credit to individuals of different income levels reflects excellent lending to low- and moderate-income borrowers within the AA. The bank's record of lending to small businesses reflects an excellent level of lending to businesses of different sizes.

ANB's primary loan types are commercial and residential. Both of these loan types constitute a significant volume of ANB's lending mix. Commercial loans comprise 57.65 percent of ANB's gross loan portfolio. The residential loan portfolio comprises 33.66 percent of gross loans.

Commercial lending to business of different sizes is excellent. Loans made to businesses with annual revenues of less than \$1 million (90.91 percent) exceeded the percentage of businesses with annual revenues of less than \$1 million (70.53 percent) within the AA. Of the 22 loans in our sample, 20 loans totaling \$6.256 million were made to businesses with annual revenues of less than \$1 million. Table 3 details the commercial lending sampled within the bank's AA.

Table 3

| Commercial Loan Originations by Business Size | | | | | | |
|--|---|-----------|-----------|------------|----------------------|---------|
| Revenue Ranges | Lending to Businesses of Different Sizes* | | | | Businesses within AA | |
| | # | # Percent | \$ (000s) | \$ Percent | # | Percent |
| \$1 Million or Less | 20 | 90.91 | \$6,256 | 70.64% | 8,357 | 70.53% |
| Greater than \$1 Million | 2 | 9.09 | \$2,600 | 29.36% | 1,791 | 15.12% |
| Revenue not Reported | 0 | 0.00 | 0 | 0.00% | 1,701 | 14.36% |

* Represents sample of loans selected that were originated from January 2001 through December 2002.

Residential lending to borrowers of different income levels is excellent. Table 4 reflects our sample of 40 residential mortgage loans originated between January 2001 and December 2002, of which 21 residential mortgage loans were located in the AA and had information available about the borrower's income level. The table illustrates that lending to low-income borrowers (14.29 percent) significantly exceeded the percent of low-income families in the AA (6.8 percent). Lending to moderate-income borrowers (38.1 percent) significantly exceeded the percentage of moderate-income families (11.8 percent) within the AA.

Table 4

| Residential Mortgage Loans by Borrower Income | | | | | |
|--|-----------------|--------------------|-------------------|---------------------|-------------------------------|
| Borrower Characteristics by Income | Number of Loans | Percent of # Total | \$ (000) of Loans | Percent of \$ Total | Percent of Families by Income |
| Low-Income | 3 | 14.29% | \$ 382 | 22.04% | 6.80% |
| Moderate-Income | 8 | 38.10% | \$ 474 | 27.36% | 11.80% |
| Middle-Income | 3 | 14.29% | \$ 80 | 4.62% | 27.50% |
| Upper-Income | 7 | 33.33% | \$ 797 | 45.99% | 53.90% |
| TOTAL* | 21 | 100.00% | \$1,733 | 100.00% | 100.00% |

* Represents sample of loans selected that were originated from January 2001 through December 2002.

Geographic Distribution of Loans

The geographic distribution of the bank's commercial and residential loans reflects a reasonable dispersion throughout the AA geographies. ANB's AA is comprised of 21 geographies with no low-income geographies, one (6.25 percent) moderate-income geographies, four (12.5 percent) middle-income geographies, and 26 (81.25 percent) upper-income geographies.

The geographic distribution of the bank's commercial loans reflects a reasonable dispersion throughout the AA geographies. The lending performance in the moderate-income geography is below the percentage of small businesses in this geography. There are limited opportunities in this geography. This geography contains only 522 small businesses. Competition is strong with 314 lenders present in the bank's AA. Seven of these lenders are nationwide credit card banks and have 62.82 percent of the market share. Table 5 details the commercial geographic

distribution sampled within the bank's AA.

Table 5

| Geographic Distribution of Commercial Loans | | | |
|--|-----------------------------|--------------------|--|
| Census Tract Income Level | Percentage of Loans* | | Percentage of Small Businesses Within Each Census Tract |
| | # of Loans | \$ of Loans | |
| Low | 0.00 | 0.00 | 0.00% |
| Moderate | 5.26 | 13.49 | 63.35% |
| Middle | 26.32 | 23.39 | 65.88% |
| Upper | 68.42 | 63.12 | 75.64% |

* Represents sample of loans selected that were originated from January 2001 through December 2002.

The geographic distribution of the bank's residential loans reflects a reasonable dispersion throughout the AA geographies. The lending performance in the moderate-income geography (0 percent) is below the percentage of owner-occupied housing units in this geography (91.95 percent). Competition is strong and opportunities are limited in this geography. Owner-occupied mobile home units comprise 45.48 percent of the total housing units in the moderate-income geography. ANB is primarily a commercial lender and does not have the expertise in mobile-home lending. Table 6 details the residential geographic distribution sampled within the bank's AA.

Table 6

| Geographic Distribution of Residential Loans | | | |
|---|-----------------------------|--------------------|--|
| Census Tract Income Level | Percentage of Loans* | | Percentage of Owner-Occupied Units Within Each Census Tract |
| | # of Loans | \$ of Loans | |
| Low | 0.00 | 0.00 | 0.00% |
| Moderate | 0.00 | 0.00 | 91.95% |
| Middle | 19.05 | 16.45 | 69.26% |
| Upper | 80.95 | 83.55 | 82.21% |

* Represents sample of loans selected that were originated from January 2001 through December 2002.

Responses to Complaints

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

Fair Lending Review

An analysis of commercial and residential loan files, recent public comments, and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on the analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.