



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**March 08, 2004**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First Security Bank, National Association (N.A.)  
Charter Number 24159**

**1801 Cross Timbers  
Flower Mound, Texas 75028**

**Comptroller of the Currency  
Fort Worth Field Office  
9003 Airport Freeway, Suite 275  
North Richland Hills, Texas 75201**

**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.**

## **INSTITUTION'S CRA RATING: First Security Bank, N.A. Flower Mound is rated *Satisfactory.***

*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 the 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 documentation is an evaluation of the Community Reinvestment Act performance of First Security Bank, N.A., (FSBNA) Flower Mound, Texas, as prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 8, 2004. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

The lending performance of FSBNA reflects satisfactory responsiveness to the credit needs of the assessment area (AA), which is defined as 22 contiguous census tracts that are part of the Dallas Metropolitan Statistical Area (MSA) number 1920.

- The bank's average loan-to-deposit (LTD) ratio of 76.74% since the prior CRA examination meets the standards for satisfactory performance given the bank's size, financial condition, local competition, and AA credit needs.
- A majority of the bank's loan activity (67% of the number and 50% of the dollar volume of loans in our sample) has been originated within the defined AA.
- The distribution of loans within the AA demonstrates good penetration among individuals of different income levels and businesses of different sizes, which meets the standards for satisfactory performance.
- A geographic distribution analysis was not performed because there are no defined low- or moderate-income census tracts within the bank's AA.
- There have been no CRA complaints filed against the bank since the prior examination.

## DESCRIPTION OF FIRST SECURITY BANK, N.A.

First Security Bank, N.A. is a community bank located in Flower Mound, Texas, which is located approximately 25 miles north of downtown Dallas, Texas. The bank currently operates from three locations. The main bank is located in Flower Mound at 1801 Cross Timbers. The first branch is located at 3970 FM 2181, Suite 100 in Hickory Creek, Texas, which is approximately 5 miles north of the Flower Mound bank. The second branch is located at 940 Highway 377 South in Aubrey, Texas, which is approximately 20 miles northeast of the Flower Mound bank.

FSBNA is a full-service community bank offering a wide variety of loan and deposit products. The bank offers transactional Internet banking through [www.fsbflowermound.com](http://www.fsbflowermound.com). As of December 31, 2003, FSBNA had total assets of \$83.3 million, total loans of \$59.3 million, and total deposits of \$73.3 million. The following tables present the bank's loan and deposit information as of December 31, 2003.

### First Security Bank, N.A. - Loan Portfolio December 31, 2003

Loan Category	Dollar Volume (000's)	Percentage of Loan Portfolio
Real Estate:		
Construction/Land Dev.	\$11,666	20%
Farmland	\$1,466	3%
1-4 Family Mortgages	\$7,916	13%
Nonfarm/Nonresidential	\$23,994	40%
Agriculture	\$0	0%
Commercial	\$7,760	13%
Consumer/Other	\$6,503	11%
<b>Total</b>	<b>\$59,305</b>	<b>100%</b>

Source: December 31, 2003 Consolidated Reports of Condition and Income

### First Security Bank, N.A. - Deposit Portfolio December 31, 2003

Deposit Category	Dollar Volume (000's)	Percentage of Total Deposits
Demand Deposits	\$21,865	30%
Savings/Now	\$11,122	15%
MMDA	\$3,085	4%
CD's less than \$100,000	\$18,385	25%
CD's greater than \$100,000	\$16,201	22%
Individual Retirement Accounts	\$2,725	4%
<b>Total</b>	<b>\$73,383</b>	<b>100%</b>

Source: December 31, 2003 Consolidated Reports of Condition and Income

FSBNA is 100% owned by First Graham Delaware Corporation, which is 100% owned by First Graham Bancshares, Inc., which is a two-bank holding company. The other bank in the holding company, which is affiliated through common ownership, is First National Bank of Graham (FNB) located in Graham, Texas. FNB Graham is the lead bank in the holding company. FNB Graham received a Satisfactory CRA rating at its most recent CRA examination, which was conducted in September 2003.

The table below presents the three bank branches, location, and the census tract in which the branch is located. Two branches are located in middle-income census tracts, while the main bank office is located in an upper-income census tract. There are no low- or moderate-income census tracts in the banks AA.

<b>BRANCH NAME</b>	<b>BRANCH LOCATION/ADDRESS/CENSUS TRACT</b>
First Security Bank – Flower Mound Headquarters Location	1801 Cross Timbers Flower Mound, Texas 75028 Census Tract 0217.09 (Upper Income)
First Security Bank – Hickory Creek Branch	3970 FM 2181 Suite 100 Hickory Creek, Texas 76210 Census Tract 0214.03 (Middle Income)
First Security Bank – Aubrey Branch	940 Highway 377 South Aubrey, Texas 76227 Census Tract 0201.01 (Middle Income)

Source: CRA Public File – Flower Mound Location

The corporate structure of neither FSBNA nor the holding company has changed since the prior CRA examination and no changes are currently planned. FSBNA was purchased by First Graham Bancshares and incorporated into the current holding company in August 2000. Significant market competition for FSBNA comes from numerous other local financial institutions, as well as branches of regional and multi-national banks located throughout the Dallas/Fort Worth Metroplex.

The most recent CRA examination of FSBNA was performed by the Federal Deposit Insurance Corporation on November 16, 1998. The bank received a satisfactory rating at that examination. There are no legal or financial impediments to the bank’s ability to meet the credit needs of its assessment area (AA).

## DESCRIPTION OF THE ASSESSMENT AREA

FSBNA has defined its AA as 22 contiguous census tracts that are part of the Dallas MSA number 1920. Based on 2000 Census Data, there are a total of ten (45%) middle-income census tracts and a total of twelve (55%) upper-income census tracts in the AA. There are no defined low- or moderate-income census tracts within the banks AA. The AA is legal and meets the requirements of the regulation. The table below presents selected demographic and economic characteristics of the AA.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS FIRST SECURITY BANK, N.A. - FLOWER MOUND</b>	
<b><i>Population</i></b>	
Number of Families	60,305
Number of Households	78,790
<b><i>Geographies</i></b>	
Number of Census Tracts (CTs)	22
% Low-Income CTs	0.00%
% Moderate-Income CTs	0.00%
% Middle-Income CTs	45.00%
% Upper-Income CTs	55.00%
<b><i>Median Family Income (MFI)</i></b>	
2002 and 2003 HUD-Adjusted MFI for AA	\$65,000
<b><i>Economic Indicators</i></b>	
Unemployment Rate	2.00%
2003 Median Housing Value	\$139,531
% Households Below Poverty Level	4.00%

Source: 2000 Census Information updated through 2003 provided by PCI Services, Inc. CRA Wiz

Approximately 221 thousand persons live within the AA, which lies in the northern part of the Dallas MSA, in which approximately 3.5 million persons reside. The Dallas MSA is part of the larger Dallas/Fort Worth Metroplex, in which approximately 6 million persons reside. The area has experienced a significant growth in population over the last decade, and the growth continues at the current time.

Based on updated Housing and Urban Development (HUD)-2003 Census information, the median family income for the AA is \$65,000. The median housing value is \$139,531 with the median age of housing stock at 15 years. Within the AA, approximately 4% of the households are below the poverty level.

<b>OCCUPATIONS AND INDUSTRIES WITHIN THE AA</b>		
<b>TYPES OF OCCUPATIONS</b>	<b>NUMBER WITHIN THE AA</b>	<b>PERCENTAGE WITHIN THE AA</b>
Management and Professional	14,454	54.5%
Service Occupations	2,096	7.9%
Sales and Office Occupations	7,427	28.0%
Construction	1,127	4.3%
Transportation	1,398	5.3%
<b>TYPES OF INDUSTRIES</b>		
Manufacturing	2,792	10.5%
Retail Trade	3,236	12.2%
Finance, Insurance, Real Estate	2,993	11.3%
Management and Professional	3,783	14.3%
Educational	3,734	14.1%
Recreation	1,400	5.3%

Source: 2003 Chamber of Commerce Demographic Data

The table above presents the major categories of occupations and industries within the AA. Major industries and employers include managerial, professional, school districts, financial institutions, and county and state government offices. 2000 Census Business Demographic Data shows a total of 15,363 businesses in the AA, of which 500 are farms and 14,863 are non-farm. Of these, approximately 65% are small businesses that report total annual gross revenues of \$1 million or less. Four percent report total annual gross revenues of \$1 million or more, and approximately 31% do not report income information. The economy of the area is stable and growing.

Information concerning credit needs in the AA was obtained by conducting one community contact during the examination. According to this contact, the immediate credit needs of the community, including those of low- and moderate-income individuals, are being met.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

Our conclusions in this section are based on the bank's lending activity from the last CRA examination dated November 16, 1998. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy. We selected a consumer loan sample that included consumer used automobile loans that were originated since January 1, 2002. Additionally, we reviewed a sample of commercial purpose business loans, also originated since January 1, 2002. These samples were used to evaluate the bank's lending performance within the AA. For the *Lending to Borrowers of Different Incomes and to Businesses of Different Sizes* analysis, we replaced loans originated outside the AA with loans originated within the AA.

***Loan-to-Deposit Ratio***

<b>INSTITUTION</b>	<b>LOCATION</b>	<b>AVERAGE LOAN/DEPOSIT RATIO</b>
Northstar Bank of Texas	Denton, Texas	85.04%
<b><i>First Security Bank</i></b>	<b><i>Flower Mound, Texas</i></b>	<b><i>76.74%</i></b>
United Community Bank	Highland Village, Texas	71.49%
Northwest Bank	Roanoke, Texas	71.28%
Bank of the West	Irving, Texas	68.63%
PointBank	Pilot Point, Texas	57.62%

The LTD ratio meets the standards for satisfactory performance. As reflected in the table above, the bank's average LTD ratio since the prior examination is 76.74%. The average ratio for the other five banks in the AA that FSBNA management identified as primary competition, is 70.81%, and range from a high of 85.04% to a low of 57.62%.

***Lending in Assessment Area***

FSBNA's lending in the AA meets the standards for satisfactory performance. Our conclusions in this section are based on a sample of loans we reviewed during the examination. We reviewed 30 consumer purpose used automobile loans and 25 commercial purpose loans, all of which were originated since January 1, 2002. Of the 55 loans in this sample, 37, or 67%, of the number of loans were originated within the AA. Fifty percent of the dollar amount of loans in this sample were originated within the AA.

Bank management and the Board of Directors are currently in the process of analyzing the possibility of expanding the AA to include more census tracts in the surrounding areas as the bank's business continues to grow and expand. We recommended that the bank strongly consider this possibility as the true trade area of the bank continues to expand.

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

FSBNA’s lending to businesses of different sizes is good. For the year 2003, sixty-five percent of the total businesses reporting revenue information in the AA have gross annual revenues of less than \$1 million. We reviewed a sample of 25 commercial and business purpose loans. Of the total loans in this sample, eighty percent were to businesses with gross annual revenues of less than \$1 million.

<b>Lending to Borrower’s of Different Income Levels</b>								
<b>First Security Bank, N.A.</b>								
<b>Consumer Used Automobile Loan Sample</b>								
<b>Assessment Area Data</b>	<b>Low-Income</b>		<b>Moderate-Income</b>		<b>Middle-Income</b>		<b>Upper-Income</b>	
<b>Family Data</b>	5,956	10%	7,649	13%	11,752	19%	34,948	58%
<b>Sample Loans</b>	9	41%	5	23%	4	18%	4	18%

FSBNA’s lending to borrowers of different income levels is very good. The distribution of loans in our sample reflects good penetration among individuals of different income levels. Twenty-two of the thirty loans we reviewed were in the banks AA. Of these twenty-two loans, 9 (41%) were to low-income individuals while only 10% of the families in the AA are considered to be low-income families. Conversely, 4 (18%) were to high-income individuals when 58% of the families in the AA are considered to be high-income families.

***Geographic Distribution of Loans***

A geographic distribution analysis was not performed during this examination because there are no defined low- or moderate-income census tracts within the bank’s contiguous AA. Although such an analysis was not performed, through observation, it was readily apparent that the bank’s loans are spread equally throughout the bank’s AA, and beyond.

***Responses to Complaints***

No complaints regarding the CRA performance of FSBNA have been received since the prior CRA examination by either the bank or the OCC.

***Fair Lending or Other Illegal Credit Practices Review***

We found no evidence of illegal discrimination or other illegal credit practices during our examination.