

Public Disclosure

November 15, 1999

Community Reinvestment Act Performance Evaluation

**Texas National Bank
Charter Number 18551**

**3205 East Highway 114
Southlake, Texas 76092**

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

Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

General Information

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

*This document is an evaluation of the CRA performance of **Texas National Bank**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 15, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

Institution's CRA Rating: This institution is rated **Satisfactory**.

Texas National Bank is responsive to the credit needs of the community including low- and moderate-income (LMI) individuals. The institution's loan-to-deposit ratio is reasonable given its assessment area credit needs. A majority of loans are concentrated in the institution's assessment area. The geographic distribution of loans is disbursed throughout the assessment area, and the distribution of borrowers reflects a reasonable penetration of individuals with different income levels.

The following table indicates the performance level of Texas National Bank with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Texas National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loans-to-deposits ratio		X	
Lending in assessment area		X	
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints	No complaints were received since the prior examination.		

Description of Institution

Texas National Bank (TNB) is an affiliate of First Financial Bancshares of Abilene, a bank holding company. The main office is located in Southlake with a branch office located on Trophy Club Drive. Total assets as of October 31, 1999 were \$64.2 million. The bank had total loans of \$32.4 million which are disbursed among four main product lines as follows:

C	1-4 family real estate	7%
C	other consumer	15%
C	commercial real estate	59%
C	small business commercial loans	19%

There are no factors which would appear to impede the bank's ability to meet various credit needs. The bank's primary business focus is to serve the community's banking needs.

Description of the Assessment Area

The institution's assessment area is located in the Dallas, Texas and Ft. Worth, Texas Metropolitan Statistical Areas (MSA), and consists of the geographies immediately surrounding each of the branches and the main office. The total assessment area consists of nine census tracts located in Tarrant County and one census tract in Denton County. These tracts include the cities of Southlake, Grapevine, Colleyville, Keller, Westlake, and Trophy Club. The assessment area includes nine upper census tracts and one middle income census tract. There are no low-to-moderate census tracts in the assessment area.

The total population of the assessment area is 79,032 based on 1990 census data. Approximately 90 percent of the population resides in upper income census tracts. The update weighted average median family income for the MSA is \$55 thousand with 68 percent of the households in the upper-income census tracts.

The economy is diverse with various industries including industrial operations, finance, insurance, manufacturing, retail and wholesale trade, and real estate. Primary credit needs include housing (interim-construction, purchase and home improvements), small business, and commercial real estate loans. The community contacts made during this review stated that TNB is actively involved in the community, economic development and other credit needs of its assessment area.

Conclusions with Respect to Performance Criteria

Loans-to-Deposits Ratio

The loans-to-deposits ratio is reasonable in relation to the bank's lending opportunities. The average loans-to-deposits ratio for the previous eight quarters is 53 percent. The loans-to-deposits ratio as of September 30, 1999 was 51 percent which compares favorably to other peer banks in the assessment area. The loans-to-deposits ratio does not reflect unfunded loan commitments. As of October 31, 1999, unused commitments totaled \$8,725 to fund commercial and 1-4 family real estate development.

Lending in Assessment Area

The majority of loans originated by the bank are in the assessment area. Of the 19, 1-4 family loans originated, 14 or 74% were found to be in the assessment area. Of the sample of consumer and commercial loans taken, 56% and 76% respectively, of originations were in the assessment area.

Distribution of Borrowers

The distribution of borrowers is reasonable in relation to the demographic composition of the assessment area. The income distribution for 1-4 family loans originated was reviewed from the Home Mortgage Disclosure Act data. Based on the 1998 Housing and Urban Development updated Median Family Income of \$55,900, the following reflects the borrower distribution.

	Low-income <50% of median family income	Moderate-income 50 to 79% of median family income	Middle-income 80 to 119% of median family income	Upper-income 120% and over family median income
1-4 family residential loans	0%	11%	37%	52%
Consumer loan sample	20%	22%	30%	28%
Commercial Business loans	Gross revenue <\$100M	Gross revenue \$100 to \$499M	Gross revenue \$500M to \$1MM	Gross revenue over \$1MM
	9%	7%	44%	40%

Based on HMDA data and a sample of 55 other consumer loans, lending to applicants of low-to-moderate income levels represents 39 percent of loans originated. This compares favorably to demographic data of 16% low-to-moderate income families within the

assessment area. A sample of 55 loans made to small businesses reveal that approximately 60% of the businesses have revenues of less than one million dollars gross profit.

Geographic Distribution of Loans

The distribution of loans among geographies of different income levels appears to be evenly distributed in relation to the demographics of the assessment area. Based on the HMDA data, geographic distribution of loans by census tracts income level is as follows:

	Income Level of Census Tracts			
	Low	Moderate	Middle	Upper
Loans originated	0%	0%	11%	89%
Demographic	0%	0%	10%	90%

Penetration of census tracts within the assessment area is excellent. Based on the HMDA LAR and the sample of 55 consumer loans, the bank has penetrated nine of the ten census tracts (90%) in the assessment area. Penetration in census tracts immediately surrounding each branch is satisfactory. Prior CRA records reflect satisfactory penetration of all geographies.

Services and Investments

Texas National Bank is actively engaged in granting credit to community residents in the form of: Consumer Loans, Commercial Loans, Home Improvement Loans, Small Business Loans, Mortgage Loans, and Interim Construction Loans. The bank has provided funding to Grapevine Revitalization and Restoration Advisory Board, who restores homes in the historical area and to The Grapevine Relief and Community Exchange, who provides temporary housing for the needy. The bank serves as a loan counselor for Texas Independent Bank Dallas to make student loans available to the bank's customers. All types of deposit services are offered to the community, including six ATM locations.

The bank has one full service branch facility. It opened November 4, 1996 at 95 Trophy Club Drive, Trophy Club, Texas. The main office is located at 3205 East Highway in Southlake. Lobby hours of operation for both offices are 9 AM to 4 PM Monday through Thursday and 9 AM to 6 PM on Friday. Motor bank hours of operation for both offices are 7 AM to 6 PM Monday through Friday and 8 AM to 1 PM on Saturday.

The bank continues to purchase obligations of local, city, county, and other governmental agencies and is supportive of local community development and redevelopment projects. Management is actively involved in service and advisory committees and with community, civic and non-profit groups.

The bank has not received any consumer complaints regarding CRA performance. Management and applicable staff possess a satisfactory level of knowledge with provisions

of fair lending laws and regulations. We identified no violations of substantive provisions of anti-discrimination laws and regulations. The institution's fair lending policies, procedures, training programs and internal assessment efforts are adequate to prevent discriminatory or other illegal credit practices.