



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 31, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Northwest National Bank of Arlington
Charter Number 18380**

**610 West Randol Mill Road
Arlington, TX 76011**

**Comptroller of the Currency
500 North Akard Street Suite 1600
Dallas, TX 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.

TABLE OF CONTENTS

<i>Institution's CRA Rating</i>	<i>1</i>
<i>Description of Institution</i>	<i>1</i>
<i>Conclusions About Performance Criteria</i>	<i>3</i>

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-to-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 Community Reinvestment Act (CRA) performance of Northwest National Bank of Arlington, Texas as prepared by The Comptroller of the Currency, the institution's supervisory agency, as of March 31, 2002. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The lending performance of Northwest National Bank of Arlington (NWNB) is satisfactory given its size, financial condition, and known credit needs of its assessment area. The primary factors supporting the bank's overall rating include:

- An average loan-to-deposit ratio of 75% since December 1997, that exceeds that of other local institutions.
- The majority of loans are within the bank's assessment area.
- The distribution of loans among individuals of varying income and small businesses reflects a reasonable penetration.

DESCRIPTION OF INSTITUTION

NWNB has one office located in Arlington, Texas. As of December 31, 2001, the bank had total assets of \$71 million with \$42 million in gross loans and \$65 million in total deposits. ATM services are provided in its office location and at the Medical Center of Arlington. Hours of operation are commensurate with other area banks. The bank offers a full range of loan products and deposit services with an emphasis on commercial and commercial real estate loans. As reflected in Table 1, loans as of December 31, 2001 are distributed as follows:

Table I

Loan Category	Amount (000's)	% of Total
Commercial	14,171	34.11
Commercial Real Estate	10,805	26.00
Construction and Development	6,780	16.32
Residential Real Estate	5,699	13.71
Consumer	4,094	9.85
Agricultural real estate	5	0.01
Total	41,552	100.00

NWNB is an independently owned bank. The bank faces no impediments, legal or otherwise, that hinder its ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is defined as the City of Arlington. The area is part of the Fort Worth-Arlington Metropolitan Statistical Area (MSA). According to the 1990 Census Bureau data it contained 56 census tracts with a population of 262,699. Table II reflects the assessment area demographics based on 1990 Census Bureau and the 2001 Housing and Urban Development Agency (HUD) data.

Table II

Demographic and Economic Characteristics of the Assessment Area	
Population	
Number of Families	69,900
Number of Households	100,254
Geographies	
# Low-Income Census Tracts	2
# Moderate-Income Census Tracts	11
# Middle-Income Census Tracts	16
# Upper-Income Census Tracts	27
Median Family Income (MFI)	
1990 MFI for Assessment Area	\$37,571
2001 HUD Adjusted MFI	\$60,100
Economic Indicators	
Unemployment Rate	2.95
1990 Median Housing Value	\$88,383
% of Households Below Poverty Level	8.18

The economy in the City of Arlington is well diversified. Employment is led by the services industry, followed by retail trade and manufacturing. Major employers include the Arlington Independent School District, University of Texas at Arlington, Six Flags Over Texas, City of Arlington, Arlington Memorial Hospital and General Motors. Primary credit needs include affordable housing, small business loans, and consumer loans.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Table III

Institution	Assets (as of 12/31/01) \$(000)s	Average LTD Ratio
Bank A	96,185	70.0
Bank B	78,896	67.4
Bank C	68,177	40.7
Bank D	23,705	42.1
<i>Northwest NB-Arlington</i>	<i>70,607</i>	<i>75.3</i>

NWNB's loan-to-deposit (LTD) ratio is reasonable and exceeds that of other local financial institutions. The bank's average LTD for the last four years is 75.3%. This compares favorably to an average LTD ratio of 64.2% for banks within Tarrant County having assets between \$50 million and \$100 million.

Lending in Assessment Area

Table IV

TOTAL LOANS REVIEWED (1999-2001)								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$(000s)	%	#	%	\$(000s)	%
Commercial	12	60.00	287	58.60	8	40.00	203	41.40
Commercial Real Estate	13	65.00	1,857	45.90	7	35.00	2,191	54.10
Residential Real Estate	11	55.00	752	69.20	9	45.00	334	30.70
Total Reviewed	35	58.30	2,859	51.70	25	42.70	2,761	48.30

NWNB's lending in its assessment area meets the standard for satisfactory performance. The bank has made a majority of its loans within its assessment area, based on a review of samples of NWNB's three primary loan types. We reviewed 20 commercial loans, 20 commercial real estate loans and 20 residential real estate loans, including home improvements, made since 1999. We limited our scope to 1999 through 2001 because of prior change in management and lending philosophy. In addition, electronic Home Mortgage Disclosure Act (HMDA) data was not readily available for 1997 and 1998 due to the bank's method of record keeping during those years. See Table IV for a breakdown by loan sample.

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

NWNB has a satisfactory record of lending to different size businesses and individual borrowers of varying income levels. The analysis of business loans encompassed 20 extensions of credit found in the commercial portfolio. Small businesses are defined as those with gross annual reviews of one million dollars or less. The sample contained 69% of the dollar volume in this category.

Table V

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (1999-2001)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses ³	87.25	7.02
% of Bank Loans in AA #	65.00	35.00
% of Bank Loans in AA \$	69.12	30.88

A summary of applicant income levels taken from the bank’s HMDA data for home purchases and home improvement loans shows a fair representation of loans to low and moderate income families.

Table VI

RESIDENTIAL REAL ESTATE (1999-2001)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families ¹	17.7		16.4		20.9		44.9	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchase	16.70	2.30	16.70	6.10	--	--	66.60	91.60
Home Improvement	9.10	2.20	9.10	13.00	18.20	8.70	63.60	76.10
Total	10.50	1.60	10.50	5.60	10.50	1.40	68.40	91.40

Geographic Distribution of Loans

For residential loans made during the evaluation period, the location of subject properties in low income census tracts represents 9.1% of the total. The assessment area shows less than one percent of the low income census tracts as having owner occupied real estate.

Table VII

RESIDENTIAL REAL ESTATE (1999-2001)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0.60		12.30		27.80		59.40	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2001	16.67	7.51	--	--	50.00	50.43	33.33	42.06
2000	--	--	--	--	50.00	57.18	50.00	42.82
1999	--	--	--	--	--	--	100.00	100.00
Total	9.09	6.85	--	--	36.36	47.03	54.55	46.12

For business loans, the bank shows satisfactory performance for credits extended in census tracts identified as low and moderate income areas. The business loan sample reflects 45% of the number in these areas.

Table VIII

BUSINESS LOANS (1999-2001)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses ⁶	4.90		26.50		30.20		38.40	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2001	--	--	--	--	--	--	100.00	100.00
2000	28.57	4.95	14.29	7.02	28.57	54.98	28.57	32.98
1999	9.09	4.12	45.46	34.35	18.18	42.51	27.27	19.02
Totals	15.00	4.03	30.00	23.33	20.00	42.81	35.00	29.23

Responses to Complaints

Neither the bank nor the OCC received CRA related complaints on NWNB since the prior examination.

Fair Lending Review

An analysis of three years' HMDA (1999 through 2001) and Small Business data, public comments, and consumer complaint information was performed according to the OCC's risk based fair lending approach. The analysis of this data revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 2000 and identified no illegal discrimination.