



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 15, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Texoma National Bank
Charter Number: 14005

220 West Main Street
Durant, OK 74701-0000

Office of the Comptroller of the Currency

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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: This institution is rated Satisfactory.

State Name: Oklahoma Rating: Satisfactory
State Name: Texas Rating: Satisfactory

The bank's overall rating is a blend of the state ratings for Oklahoma and Texas. The major factors that support this rating include:

- The bank's quarterly average net loan-to-deposit ratio is reasonable based on the bank's size, financial condition, area credit needs, and relevant competitive factors.
- The bank originated a majority of its loans within its assessment areas.
- The distribution of loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion among geographies of different income levels.

Scope of Examination

This Performance Evaluation of First Texoma National Bank (FTNB) assesses their record of meeting the credit needs of the communities in which it operates. We evaluated FTNB under the Small Bank performance criteria. The evaluation assesses FTNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the assessment area; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints. All three of the bank's assessment areas, consisting of Bryan and Choctaw Counties in Oklahoma, and Grayson and Denton Counties in Texas, received full-scope reviews. The bank's overall rating is a blend of the state ratings for the state of Oklahoma and Texas.

The analysis was based largely on 2000 U.S. Census data and 2010 business demographic information. The bank's assessment area was reviewed and included the census tracts in which the bank has its main office, branches and drive-thrus, as well as the surrounding geographies. Conclusions regarding the bank's lending performance are based on FTNB's primary loan products consisting of business and residential real estate loans. Products reviewed for FTNB included a sample of 92 business loans and 259 Home Mortgage Disclosure Act (HMDA) residential real estate loans originated from January 1, 2009 through February 28, 2011. Three of the seven FTNB offices are located in Metropolitan Statistical Areas, therefore they are required to complete the HMDA reporting log. A HMDA data integrity review performed at the previous compliance examination found the data to be accurate and reliable.

Description of Institution

FTNB is an interstate community bank headquartered in Durant, Oklahoma. The bank is wholly owned by FNB Financial Services, Inc., a one-bank holding company. Since the last CRA examination, several changes have taken place. The Durant bank merged with their sister bank, First Texoma Bank, Sherman, Texas in 2005. This merger added the Grayson County assessment area in the Sherman-Denison, Texas Metropolitan Statistical Area (MSA). The Sherman bank had a Loan Production Office (LPO) in Dallas, Texas that they opened in 2004. The LPO was closed in 2009. The bank opened the Aubrey, Texas branch in 2006. This branch resulted in the additional assessment area of Denton County in the Dallas-Fort Worth-Arlington Texas MSA.

The main bank is located at 220 West Main, Durant, Oklahoma. Full-service branches and drive-thru facilities are located at 420 West Main and 1825 West University, Durant, Oklahoma, 615 Hunter Avenue, Boswell, Oklahoma, 2626 Loy Lake Road and 3425 Heritage Parkway, Sherman, Texas, and 26797 East Highway 380, Aubrey, Texas. The majority of the locations have regular Monday through Friday banking hours and Saturday drive-thru hours until noon. The West Main branch and the University branch in Durant also have Saturday lobby hours until noon. The main bank has regular lobby hours during the week, but no drive-thru or Saturday services. The Boswell branch has shorter lobby and drive-thru hours during the week and no Saturday services.

Automated Teller Machines (ATMs) are located at all six branch locations. Four additional ATMs are located throughout Durant, Oklahoma. One is located in the Student Union at Southeastern Oklahoma State University, at the Medical Center of Southeastern Oklahoma, at PRC, LLC. (Call Center), and at the Choctaw Travel Plaza West (convenience store).

The bank's primary focus is to serve commercial and consumer customers in Bryan and Choctaw Counties in Oklahoma and Grayson and Denton Counties in Texas. The bank meets these needs by providing traditional loan and deposit products, as well as Internet Banking with Bill Payment, Cash Management services and a 24 Hour Information Line. The bank has a mortgage loan officer in Durant, Oklahoma and one in Sherman, Texas. Their services are also available at the other bank branches.

The bank's lending strategy has focused on commercial real estate loans, other commercial loans, and residential real estate loans. Since the Aubrey branch inherited the commercial loans from the Dallas LPO when it closed, the strategy for the Aubrey branch has shifted to consumer loans.

As of December 31, 2010, FTNB had total assets of \$195 million, of which \$145 million, or 74 percent of total assets, were comprised of various types of loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consists of the following:

Loan Portfolio Composition as of December 31, 2010		
Loan Category	\$ (000)	%
Commercial Real Estate Loans	81,420	56%
Residential Real Estate Loans	32,651	23%
Commercial Loans	17,342	12%
Consumer Loans	8,218	6%
Agriculture Loans	4,994	3%
Total	144,625	100%

The bank's ability to meet the credit needs of the community is limited by its current financial concerns. The bank is operating under a Consent Order that was signed September 17, 2010. FTNB is involved in and provides support to meet the community's financial needs. The bank received an overall rating of Satisfactory at the last CRA examination dated April 27, 2005.

Conclusions with Respect to Performance Criteria

FTNB's performance under the lending test is Satisfactory. The bank's overall loan-to-deposit ratio is reasonable and a majority of the bank's loans were originated within its assessment areas. The loan-to-deposit ratio and the in/out ratio are based on bank-wide data. FTNB's borrower distribution reflects reasonable penetration among borrowers of different incomes and businesses of different sizes, and FTNB's geographic distribution reflects reasonable dispersion throughout census tracts of different income levels.

Loan-to-Deposit Ratio

FTNB's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. FTNB's average quarterly LTD ratio from June 30, 2005 through December 31, 2010 is 85 percent. The average quarterly LTD of the thirty-seven banks chartered in Bryan and Choctaw Counties in Oklahoma and Grayson and Denton Counties in Texas of the AA and eight of the surrounding Counties is 80 percent. The ratios range from a low of 30 percent to a high of 120 percent. The ratios of four similarly situated banks were analyzed over the same time period and are listed in the table below. The quarterly average LTD ratio for this group is 85 percent.

Institution	Assets as of 12/31/2010 \$(000)	Average LTD Ratio
<i>First Texoma National Bank, Durant, OK</i>	194,889	85%
Ameristate Bank, Atoka, OK	197,849	75%
First United Bank and Trust Company, Durant, OK	2,060,521	87%
Texas Star Bank, Van Alstyne, TX	261,472	87%
Independent Bank, McKinney, TX	1,098,393	91%

Lending in Assessment Area

FTNB's lending in their assessment areas meets the standard for satisfactory performance. A majority of the residential real estate loans and the business loans sampled were originated in the bank's assessment areas. This conclusion is based on the 259 HMDA residential real estate loans and the sample of 92 business loans that originated in 2009, 2010 and as of February 28, 2011, as depicted in the following table.

TOTAL LOANS REVIEWED										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Residential Real Estate	214	83%	45	17%	259	20,427	74%	7,282	26%	27,709
Business	71	77%	21	23%	92	13,661	49%	14,428	51%	28,089
Totals	285	81%	66	19%	351	34,088	61%	21,710	39%	55,798

Source: Data reported under HMDA and business loan sample

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

State Rating

State of Oklahoma

CRA Rating for Oklahoma: Satisfactory

Description of the Assessment Area in Oklahoma

The assessment area adopted by FTNB consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

The assessment area is identified as all of Bryan and Choctaw Counties in southeastern Oklahoma. The assessment area includes 15 contiguous census tracts. Of these, 4 tracts are considered moderate-income, 10 tracts are considered middle-income and 1 tract is considered upper-income. There are no low-income tracts and all of the middle-income tracts are considered distressed or underserved areas. The main bank and the other branch on Main Street are located in a middle-income census tract in Bryan County. The branch on University is located in the one upper-income census tract in Bryan County. The Boswell branch is located in a moderate-income census tract in Choctaw County. The following table describes major demographic and economic characteristics of the assessment area, based on 2000 U.S. Census data.

Demographic and Economic Characteristics of Assessment Area (Bryan and Choctaw Counties)	
<i>Population</i>	
Number of Families	14,341
Number of Households	20,697
<i>Geographies</i>	
Number of Census Tracts/BNA	15
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	26.67%
% Middle-Income Census Tracts/BNA	66.66%
% Upper-Income Census Tracts/BNA	6.67%
<i>Median Family Income (MFI)</i>	
2000 MFI for Assessment Area	32,291
2010 HUD-Adjusted MFI	47,200
<i>Economic Indicators</i>	
2000 Median Housing Value	50,284
% of Households Below Poverty Level	21.90%

The total population of the assessment area is 51,876 persons. Although there are not any low-income census tracts in the assessment area, there are low- and moderate-income families in the assessment area. Of the 14,341 families, 25 percent are low-income families and 18 percent are moderate-income families. Of the 20,697 households, 22 percent are below the poverty level. The median housing value is 50,284, with the median age of housing stock at 36 years.

The local economic conditions have remained stable. The economy continues to have a diverse revenue source. Tourism is a strong industry with the local lakes and Choctaw gaming facilities. Manufacturing and distribution have also seen growth in recent years with the Cardinal Glass Industries and Big Lots Distribution Center. The major employers in the area are the Choctaw Nation of Oklahoma, the Medical Center of Southeastern Oklahoma and Southeastern Oklahoma State University.

FTNB faces strong competition from one significantly larger financial institution headquartered in Durant and several other branches of other banks and financial institutions.

A community contact was made during the examination to help ascertain the credit needs of the assessment area. The immediate needs of the community are being fulfilled, according to the contact. The contact identified low-income housing, multi-family housing and rental property as needs in the community. The contact stated that area financial institutions are meeting these needs.

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

FTNB lending to borrowers of different incomes and to businesses of different sizes is reasonable and meets the standard for satisfactory performance. The following tables represent the distribution of lending based on the 145 HMDA residential real estate loans and the sample of 28 business loans extended within the assessment area.

Borrower Distribution of Loans to Businesses in Bryan and Choctaw Counties, OK				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	74%	3%	24%	100%
% of Bank Loans in AA by #	86%	14%	0%	100%
% of Bank Loans in AA by \$	53%	47%	0%	100%

Source: Dunn and Bradstreet and business loan sample

FTNB's loan distribution to businesses is more than reasonable. The percentage of loans to businesses with reported revenues of \$1 million or less exceeds the percentage of assessment area businesses with reported revenues of \$1 million or less.

Borrower Distribution of Residential Real Estate Loans in Bryan and Choctaw Counties, OK								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	25%	7%	18%	17%	22%	23%	35%	40%
Home Improvement	25%	8%	18%	0%	22%	33%	35%	33%
Home Mortgage Refinance	25%	0%	18%	14%	22%	28%	35%	37%

Source: U.S. Census data and data reported under HMDA. Borrower income information was not available for 24 of the 145 residential real estate loans.

The overall distribution of residential real estate loans to borrowers of different income levels is reasonable. Although the number of real estate loans extended to low-income borrowers is lower than the ratio of low-income families, the number of loans extended to moderate-income borrowers is near the ratio of moderate-income families. The low number of low-income borrowers in which the bank has extended residential loans may be attributed to the fact that lower income individuals have fewer resources to enable them to purchase residential real estate. The median cost of housing in the Bryan and Choctaw Counties assessment area is \$50M, while a low-income person earns less than \$24M based on the HUD updated 2010 median family income. Additionally, 22 percent of the households in the assessment area live below the poverty level. The analysis of the bank's residential real estate lending indicates that the bank is willing to lend to the low- and moderate-income borrowers.

Geographic Distribution of Loans

The distribution of residential real estate loans and business loans to geographies of different income levels is reasonable and meets the standard for satisfactory performance. The following tables represent the distribution of lending based on the 145 HMDA residential real estate loans and the sample of 28 business loans extended within the assessment area.

Geographic Distribution of Loans to Businesses in Bryan and Choctaw Counties, OK								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Business	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	0%	0%	15%	7%	69%	72%	16%	21%

Source: U.S. Census data and business loan sample

The number of business loans extended in the moderate-income census tracts is reasonable and meets the standard for satisfactory. Although the percentage of loans made to businesses in the moderate-income tracts is lower than the percentage of businesses that are located in those tracts, the percentage of loans to middle-income tracts exceeds the percentage of businesses that are located in those tracts. Since all ten middle-income tracts were designated as distressed and underserved non-metropolitan middle-income tracts, the bank received consideration for lending to the middle-income tracts in this assessment area.

Geographic Distribution of Residential Real Estate Loans in Bryan and Choctaw Counties, OK								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0%	0%	20%	16%	69%	69%	11%	15%
Home Improvement	0%	0%	20%	17%	69%	67%	11%	16%
Home Mortgage Refinance	0%	0%	20%	16%	69%	70%	11%	14%

Source: U.S. Census data and data reported under HMDA

The geographic distribution of residential real estate loans is reasonable and meets the standard for satisfactory. Although the percentage of loans made in the moderate-income tracts is slightly lower than the percentage of owner occupied housing in those tracts, the percentage of loans to middle-income tracts meets the ratio. The bank received consideration for lending to the middle-income tracts since all ten middle-income tracts were designated as distressed and underserved non-metropolitan tracts.

Responses to Complaints

There have been no consumer complaints pertaining to FTNB's CRA performance during the evaluation period.

State Rating

State of Texas

CRA Rating for Texas: Satisfactory

Description of the Assessment Area in Grayson County, Texas

The assessment area adopted by FTNB consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

FTNB's assessment area is identified as all of Grayson County in north central Texas. The assessment area includes 26 contiguous census tracts in the Sherman-Denison, TX Metropolitan Statistical Area. Of these, 7 tracts are considered moderate-income, 17 tracts are considered middle-income and 2 tracts are considered upper-income tracts. There are no low-income tracts. Both branches in Sherman are located in a middle-income census tract. The following table describes major demographic and economic characteristics of the assessment area, based on 2000 U.S. Census data.

Demographic and Economic Characteristics of Assessment Area (Grayson County)	
<i>Population</i>	
Number of Families	30,297
Number of Households	42,834
<i>Geographies</i>	
Number of Census Tracts/BNA	26
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	26.92%
% Middle-Income Census Tracts/BNA	65.39%
% Upper-Income Census Tracts/BNA	7.69%
<i>Median Family Income (MFI)</i>	
2000 MFI for Assessment Area	45,272
2010 HUD-Adjusted MFI	57,600
<i>Economic Indicators</i>	
2000 Median Housing Value	68,675
% of Households Below Poverty Level	12.12%

The total population of the assessment area is 110,595 persons. Although there are not any low-income census tracts in the assessment area, there are low- and moderate-income families in the assessment area. Of the 30,297 families, 20 percent are low-income families and 18 percent are moderate-income families. Of the 42,834 households, 12 percent are below the poverty level. The median housing value is 68,675, with the median age of housing stock at 40 years.

The local economic conditions have remained fairly stable. The economy continues to be dependent on the health care industry, as well as retail and manufacturing. The major employers in the area are Texas Health Care, Tyson Foods, Jones Health Care and Texas Instruments.

FTNB faces strong competition from several other national and state chartered banks and branches of other banks and financial institutions.

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

FTNB lending to borrowers of different incomes and to businesses of different sizes is reasonable and meets the standard for satisfactory performance. The following tables represent the distribution of lending based on the 57 HMDA residential real estate loans and the sample of 25 business loans extended within the assessment area.

Borrower Distribution of Loans to Businesses in Grayson County, TX				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	79%	3%	18%	100%
% of Bank Loans in AA by #	92%	8%	0%	100%
% of Bank Loans in AA by \$	63%	37%	0%	100%

Source: Dunn and Bradstreet and business loan sample

FTNB’s loan distribution to businesses is more than reasonable. The sample of business loans revealed that a substantial majority of the number of loans were extended to small businesses with annual gross revenues of less than \$1 million per year.

Borrower Distribution of Residential Real Estate Loans in Grayson County, TX								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Loan Type								
Home Purchase	20%	13%	18%	8%	23%	15%	39%	28%
Home Improvement	20%	0%	18%	0%	23%	38%	39%	50%
Home Mortgage Refinance	20%	10%	18%	20%	23%	10%	39%	40%

Source: U.S. Census data and data reported under HMDA. Borrower income information was not available for 17 of the 57 residential real estate loans.

The overall distribution of residential real estate loans to borrowers of different income levels is reasonable and meets the standard for satisfactory. The number of real estate loans extended to low- and moderate-income borrowers is lower than the ratio of low- and moderate-income families in most areas. The low number of low- and moderate-income borrowers in which the bank has extended residential loans may be attributed to the fact that lower income individuals have fewer resources to enable them to purchase residential real estate. We considered the percentage of households (12%) in the assessment area who live below the poverty level and the barriers this may have on home ownership. The median cost of housing in the Grayson County assessment area is \$69M, while a low-income person earns less than \$28M based on the HUD updated 2010 median family income. The analysis of the bank’s residential real estate lending indicates that the bank is willing to lend to the low- and moderate-income borrowers.

Geographic Distribution of Loans

The distribution of residential real estate loans and business loans to geographies of different income levels is more than reasonable and exceeds the standard for satisfactory performance. There are no low-income census tracts in the Grayson County assessment area. The following tables represent the distribution of lending based on the 57 HMDA residential real estate loans and the sample of 25 business loans extended within the assessment area.

Geographic Distribution of Loans to Businesses in Grayson County, TX								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	0%	0%	18%	20%	73%	64%	9%	16%

Source: U.S. Census data and business loan sample

The number of business loans extended in the moderate-income census tracts exceeds the percentage of businesses in the moderate-income census tracts.

Geographic Distribution of Residential Real Estate Loans in Grayson County, TX								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0%	0%	14%	15%	76%	82%	10%	3%
Home Improvement	0%	0%	14%	12%	76%	88%	10%	0%
Home Mortgage Refinance	0%	0%	14%	50%	76%	50%	10%	0%

Source: U.S. Census data and data reported under HMDA

The number of loans extended in the moderate-income census tracts exceeds the percentage of owner occupied housing in the moderate-income census tracts for the home purchase and refinance loans. The number of home improvement loans is near the percentage of owner occupied housing in the moderate-income tracts.

Responses to Complaints

There have been no consumer complaints pertaining to FTNB's CRA performance during the evaluation period.

Description of the Assessment Area in Denton County, Texas

The assessment area adopted by FTNB consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

FTNB's assessment area is identified as all of Denton County in north central Texas. The assessment area includes 56 contiguous census tracts in the Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area. Of these, 2 tracts are considered low-income, 6 tracts are considered moderate-income, 26 tracts are considered middle-income and 22 tracts are considered upper-income tracts. The Aubrey branch is located in a middle-income census tract. The following table describes major demographic and economic characteristics of the assessment area, based on 2000 U.S. Census data.

Demographic and Economic Characteristics of Assessment Area (Denton County)	
<i>Population</i>	
Number of Families	112,211
Number of Households	159,062
<i>Geographies</i>	
Number of Census Tracts/BNA	56
% Low-Income Census Tracts/BNA	3.57%
% Moderate-Income Census Tracts/BNA	10.71%
% Middle-Income Census Tracts/BNA	46.43%
% Upper-Income Census Tracts/BNA	39.29%
<i>Median Family Income (MFI)</i>	
2000 MFI for Assessment Area	71,181
2010 HUD-Adjusted MFI	68,900
<i>Economic Indicators</i>	
2000 Median Housing Value	127,303
% of Households Below Poverty Level	7.09%

The total population of the assessment area is 432,976 persons. Although there are only 2 low-income census tracts in the assessment area, there are low- and moderate-income families in the assessment area. Of the 112,211 families, 12 percent are low-income families and 15 percent are moderate-income families. Of the 159,062 households, 7 percent are below the poverty level. The median housing value is 127,303, with the median age of housing stock at 25 years.

The local economy experienced a downturn that has since slowed and is showing signs of stabilization. The economy is dependent on a variety of industries. The major employers are the University of North Texas, Lewisville Independent School District (ISD), Denton ISD and American Airlines Alliance (Maintenance Base).

FTNB faces strong competition from other national and state chartered banks and branches of other banks and financial institutions.

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

FTNB lending to borrowers of different incomes and to businesses of different sizes is reasonable and meets the standard for satisfactory performance. More weight is being given to the distribution of the business loans due to the fact that a majority of the bank's loans in the Denton assessment area are commercial related loans. The following tables represent the distribution of lending based on the 12 HMDA residential real estate loans and the sample of 20 business loans extended within the assessment area.

Borrower Distribution of Loans to Businesses in Denton County, TX				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	82%	3%	15%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Dunn and Bradstreet and business loan sample

FTNB's loan distribution to businesses is more than reasonable. The sample of business loans revealed that all of the loans were extended to small businesses with annual gross revenues of less than \$1 million per year.

Borrower Distribution of Residential Real Estate Loans in Denton County, TX								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Loan Type								
Home Purchase	12%	0%	15%	25%	22%	0%	51%	75%
Home Improvement	12%	0%	15%	0%	22%	0%	51%	100%
Home Mortgage Refinance	12%	0%	15%	0%	22%	0%	51%	67%

Source: U.S. Census data and data reported under HMDA. Borrower income information was not available for 2 of the 12 residential real estate loans.

The overall distribution of residential real estate loans to borrowers of different income levels does not meet the standard for satisfactory. The sample of real estate loans did not include any loans extended to low-income borrowers and a limited number of loans to moderate-income borrowers. The low number of low- and moderate-income borrowers in which the bank has extended residential loans may be attributed to the fact that lower income individuals have fewer resources to enable them to purchase residential real estate. Additionally, the bank's primary loan product in the Denton area is commercial loans. Due to the small residential real estate sample and the fact that a majority of the Denton area loans are commercial, the real estate analysis is not as meaningful.

Geographic Distribution of Loans

The distribution of residential real estate loans and business loans to geographies of different income levels is reasonable and meets the standard for satisfactory performance. More weight is being given to the geographic distribution of the business loans due to the fact that a majority of the bank's loans are commercial related loans. The Aubrey branch also houses the commercial loan officers from the closed Loan Production Office in Dallas. The following tables represent the distribution of lending based on the 12 HMDA residential real estate loans and the sample of 20 business loans extended within the assessment area.

Geographic Distribution of Loans to Businesses in Denton County, TX								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	2%	5%	5%	15%	40%	60%	53%	20%

Source: U.S. Census data and business loan sample

The number of business loans extended in the low- and moderate-income census tracts exceeds the percentage of businesses in the low- and moderate-income census tracts.

Geographic Distribution of Residential Real Estate Loans in Denton County, TX								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Loan Type								
Home Purchase	0%	0%	2%	0%	40%	50%	58%	50%
Home Improvement	0%	0%	2%	0%	40%	100%	58%	0%
Home Mortgage Refinance	0%	17%	2%	0%	40%	67%	58%	16%

Source: U.S. Census data and data reported under HMDA

The number of loans extended in the low-income census tracts exceeds the ratio of owner occupied housing in those tracts. The number of loans extended in the moderate-income census tracts do not compare favorably to the owner occupied housing in the moderate-income tracts. Based on the above information, the opportunity to lend in the low- or moderate-income census tracts is limited by the amount of owner occupied housing in the low- and moderate-income tracts. The low penetration of real estate lending in the moderate-income areas can be attributed to several factors. The Aubrey branch is located in a middle-income tract and is also surrounded by middle- and upper-income tracts. All of the low- and moderate-income tracts are west of the branch, around the City of Denton. Other financial institutions also serve those areas.

Responses to Complaints

There have been no consumer complaints pertaining to FTNB's CRA performance during the evaluation period.