



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**April 26, 2007**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**North Texas Bank, National Association  
Charter Number 24519**

**661 W. Thompson  
Decatur, TX 76234**

**Comptroller of the Currency  
Dallas Field Office  
17300 Dallas Parkway, Suite 2020  
Dallas, TX 75248**

**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.**

The lending performance of North Texas Bank, National Association (NTB) reflects satisfactory performance in meeting the credit needs of its community. This assessment is based upon the following conclusion:

- A majority of the loans generated were within NTB's assessment area (AA). The sample indicated that 80% of the number of loans and 52% of the dollar volume of loans were originated within the AA.
- The distribution of loans to small businesses shows satisfactory performance. 65% of commercial loans reviewed in the AA were extended to businesses with revenues less than \$1 million.
- The borrower distribution of consumer loans reflects a reasonable penetration among individuals of different income levels with 50% of the number of consumer loans sampled extended to low and moderate income individuals.

## **DESCRIPTION OF INSTITUTION**

North Texas Bank (NTB) is a *de novo* bank chartered in October 2004. NTB is a wholly owned subsidiary of Chisholm Bancshares, a one bank holding company. As of December 31, 2006, NTB had assets of \$48 million with \$20 million in loans and \$42 million in deposits. NTB has one office located near downtown Decatur. Hours of operation are convenient and commensurate with other area banks. NTB offers a full range of traditional loan products and deposit services, including online banking. Lending emphasis includes commercial, construction, and consumer loans. A summary of the portfolio mix as of March 31, 2007 is as follows:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate	5,754	26.35
Construction & Development	5,535	25.34
Commercial	4,940	22.62
Residential Real Estate	2,547	11.66
Consumer	1,308	5.99
Farmland	1,267	5.80
Agricultural	469	2.15
Other Loans	19	.09
<b>Total</b>	<b>21,839</b>	<b>100</b>

NTB has no legal, financial, or other factors impeding its ability to meet the credit needs of its

AA. NTB’s primary business focus is to serve the banking needs of its community and prides itself on being the only true locally-owned community bank in Decatur. The management team consists of veteran bankers from the Decatur area. Officers and employees of the bank are highly involved in various community activities. This is the first CRA Performance Evaluation since the bank was chartered in October 2004.

## DESCRIPTION OF WISE COUNTY

NTB’s AA is Wise County and consists of 11 census tracts. The AA is comprised of the following cities: Alvord, Boyd, Bridgeport, Chico, Decatur, Newark, Paradise, and Runaway Bay. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income census tracts. The following table reflects the demographics for the AA:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
Census Year	2000
<i>Population</i>	
Number of Families	13,470
Number of Households	17,180
<i>Geographies</i>	
Number of Census Tracts	11
# - % Low-Income Census Tracts	0 – 0%
# - % Moderate-Income Census Tracts	2 – 18%
# - % Middle-Income Census Tracts	9 – 81%
# - % Upper-Income Census Tracts	0 – 0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$47,777
2004 HUD-Adjusted MFI	\$61,500
2005 HUD-Adjusted MFI	\$61,500
2006 HUD-Adjusted MFI	\$63,100
<i>Economic Indicators</i>	
Unemployment Rate	2%
2004 Median Housing Value	\$80,608
% of Households Non English Speaking	7%
% of Households on Social Security	24%
% of Households Below Poverty Level	10%
% of Households on Retirement	14%

Wise County has eight FDIC-insured financial institutions that operate within the area. These

institutions consist of branches of multi-regional banks (Wells Fargo and Citibank Texas) and larger national and state chartered banks. The economy in Wise County is reasonably diversified. Major employers include the Decatur Community Hospital, Decatur Independent School District, Wal-Mart, Lowes, car dealerships, and several industrial companies.

To assess the credit needs of the community, we interviewed a member of the Decatur Economic Development Corporation. This non-profit corporation has a mission to achieve sustained, balanced economic growth for the City of Decatur that will enhance the quality of life and provide greater access to desirable goods and services. The primary credit need for the AA, in the contact's opinion, is small business lending. Our contact indicated that area financial institutions strive to meet the credit needs of the community.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This evaluation of NTB's CRA performance covers the period from the bank's opening in October 2004 through March 31, 2007. The evaluation includes an analysis of NTB's designated AA and its lending patterns.

Our review focused on two of NTB's product lines, commercial and consumer loans. The loan types were derived based on the number of loans and dollar volume of loans outstanding as of March 31, 2007. For each product type, we sampled 20 loans where the bank collected the income data.

### Loan-to-Deposit Ratio

NTB's loan-to-deposit (LTD) ratio is reasonable given local competition and the deposit structure of the bank. The bank's LTD ratio as of March 31, 2007 was 51.48%. NTB's quarterly average LTD ratio of 42.47% is based the ten quarters reported since opening. Per management, there are limited lending opportunities in the AA versus the number of banks competing. Also, there are a small number of the bank's depositors that account for a significant percentage of the bank's total deposit that have no credit needs. Furthermore, the bank's legal lending limit precludes them from being able to compete for some of the larger credit needs of the community. As of June 30, 2006, NTB's deposit market share in Wise County was 6.91% among eight commercial banking institutions. Wells Fargo Bank, N.A. dominated the deposit market share at 27.87% followed by First Financial Bank, N.A. at 21.59%. Total deposit within the market equaled \$622,714 thousand.

<b>Institution</b>	<b>\$ Assets (as of 12/31/2006)</b>	<b>Average LTD Ratio</b>
<i>North Texas Bank</i>	<i>48,387</i>	<i>42.47%</i>
Peer Banks (116)		86.95%
Custom Peer Banks (13)		65.70%

*Source of data: Derived from Call Report information.*

The banks' peer group consists of FDIC-insured commercial banks that opened in 2004. From this population of banks, we further segmented the banks into those similarly situated to NTB

with average assets of less than \$50 million, only one full service domestic office and located in a non-metropolitan statistical area (MSA). This group of banks is identified as the custom peer group in the table above.

### Lending in Assessment Area

NTB's performance of lending in the AA is satisfactory. We selected a random sample of 20 commercial business loans and 20 consumer loans that were originated from October 2004 to March 2007 in order to assess the bank's lending performance within its AA. Based on this sample, 80% of the number of loans and 52% of the dollar volume of loans were originated to individuals and businesses located within the AA.

Total Loans Reviewed										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loans	14	70%	6	30%	20	1,168,483	49%	1,201,865	51%	2,370,348
Consumer Loans	18	90%	2	20%	20	198,717	84%	38,500	16%	237,217
Totals	32	80%	8	20%	40	1,367,200	52%	1,240,365	48%	2,607,565

Source: Loan sample.

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

NTB's lending to borrowers of different incomes and to businesses of different sizes meets the standards for satisfactory performance.

NTB's performance in originating consumer loans to low- and moderate-income borrowers exceeds the standards for satisfactory performance. Based on the random sample, 50% of loans originated were extended to low- to moderate-income households. Given only 28% of the AA households are considered to be in the low- to moderate-income levels, the bank's penetration to those borrowers is more than satisfactory.

Borrower Distribution of Consumer Loans in Wise County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	15%	30%	13%	20%	15%	20%	57%	30%

Source: Loan sample; U.S. Census data.

NTB's distribution of loans to small businesses meets the standards for satisfactory performance. Based on a random sample, 65% of the number of loans and 57% of the dollar volume of loans

originated within the AA were extended to small businesses. Small businesses are defined as businesses with annual revenues (sales) of less than \$1 million.

<b>Borrower Distribution of Loans to Businesses in Wise County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	60%	4%	36%	100%
% of Bank Loans in AA by #	65%	30%	5%	100%
% of Bank Loans in AA by \$	57%	41%	2%	100%

Source: Loan sample; Dunn and Bradstreet data.

### **Geographic Distribution of Loans**

NTB’s geographic distribution of loans meets the standard for satisfactory performance. Our sample reflected lending in the majority (73%) of the census tracts within the AA. There is no low or upper income tracts in the bank’s AA.

NTB’s geographic distribution of loans to consumers meets the standards for satisfactory performance. Based on a random sample, 25% of the number of loans originated were to consumers residing in moderate-income census tracts. This is commensurate with the AA geographic distribution.

<b>Geographic Distribution of Consumer Loans in Wise County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer	0%	0%	21%	25%	79%	75%	0%	0%

Source: Loan sample; U.S. Census data.

NTB’s geographic distribution of loans to businesses exceeds the standards for satisfactory performance. Based on a random sample, 50% of the number of loans originated were within the moderate-income census tracts.

<b>Geographic Distribution of Loans to Businesses in Wise County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial	0%	0%	34%	50%	66%	50%	0%	0%

*Source: Loan sample; Dunn and Bradstreet data.*

### **Responses to Complaints**

NTB has not received any complaints about its performance in helping meet AA needs during this evaluation period.

### **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.