



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 4, 2008**

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

T Bank, National Association  
Charter Number 24467

Office of the Comptroller of the Currency  
Dallas Field Office  
17300 Dallas Parkway, Suite 2020  
Dallas, TX 75248-1145

**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.**

- T Bank's loan to deposit ratio is reasonable and commensurate with its size, and financial condition.
- Lending to borrowers and businesses within the assessment area meets the standards for satisfactory performance.
- Lending to borrowers of different income and business of different sizes is reasonable based primarily on adequate performance for business lending.
- Geographic distribution of loans is weak.

**SCOPE OF EXAMINATION**

This evaluation of T Bank's CRA performance covers the period of November 2004 (opening date) through December 31, 2007. The evaluation includes an analysis of the bank's designated assessment area and its lending patterns. We considered all loans originated since T Bank's inception, including those that were paid off prior to December 31, 2007. In assessing the bank's performance, more consideration was given to the bank's commercial and commercial real estate loans which account for 97% of the bank's lending portfolio and is management's primary lending focus.

**DESCRIPTION OF INSTITUTION**

T Bank is a wholly owned subsidiary of T Bancshares, Inc, a publicly traded corporation with over 600 shareholders, most of whom are local to the bank's market. T Bank was chartered on November 2, 2004. The bank operates through a main office located at 16000 Dallas Parkway, Dallas, TX and another full service banking office at 8100 North Dallas Parkway, Plano, TX. In addition, T Bank opened a Loan Production Office (LPO) on Feb 20, 2007 in Southlake, TX.

T Bank is a full service commercial bank and offers a broad range of commercial and consumer banking services to small and medium size businesses, business owners, professionals and individuals who management believes are searching for the style of service the T Bank offers. T Bank contends they are on the forefront of bank technology that allows business customers to conduct all their transactions electronically from anywhere in the world using a computer and internet connection. T Bank provides its customers with free ATM access worldwide and even absorbs ATM usage fees from other banks. Corporate customers have the ability to deposit checks into their account from a remote location which attracts long distance clients that might not otherwise have selected T Bank.

Since inception, management and the board’s business focus has been on small to medium sized businesses. T Bank has developed a niche with dental professionals. As of December 31, 2006 (most recent Annual Report), approximately half of the loans were to dental professionals located in 31 different states.

T Bank began offering fiduciary services in August 2006 through its Trust Department. Fiduciary asset growth to-date is primarily attributable to the bank’s relationship with a registered investment advisor and public accounting firm that specializes in dental practice management, including financial planning.

T Bank’s main competition consists of branches of larger multi-national banks, state and national community banks, and credit unions. Per the FDIC’s Market Share Report as of June 30, 2007, there are approximately 136 FDIC-insured institutions with 1,200 offices located within the bank’s primary assessment area. Deposits within the market total \$156 billion of which T Bank represents .08%.

As of December 31, 2007, the bank’s total assets were \$148 million, total loans were \$122 million; and total deposits were \$134 million. A summary of the loan portfolio mix is as follows:

<b>Types of Domestic Loans Outstanding (\$000’s) as of December 31, 2007 Report of Condition</b>		
<b>Loan Category</b>	<b>Amount</b>	<b>Percentage</b>
Commercial Loans	80,854	66.42%
Commercial Real Estate	37,157	30.53%
Consumer Loans	3,157	2.59%
Residential Real Estate Loans	545	.45%
Other Loans	12	.01%
<b>Total Gross Loans:</b>	<b>121,725</b>	<b>100.00%</b>

The bank has no legal, financial, or other factors impeding its ability to meet the credit needs of its assessment area. This is the first CRA examination since the bank’s opening in November 2004.

## DESCRIPTION OF DALLAS, SOUTHWEST COLLIN, SOUTHEAST DENTON, AND NORTHEAST TARRANT COUNTIES

T Bank's assessment area is made up of 592 whole census tracts located in the Dallas-Plano-Irving Metropolitan Statistical Area (MSA) and 185 census tracts within the Fort Worth-Arlington MSA. These tracts include all of Dallas County and portions of Collin, Denton, and Tarrant Counties. Of these census tracts, there are 69 low-income tracts, 221 moderate-income tracts, 233 middle-income tracts, and 250 upper-income tracts. The remaining four (4) census tracts are defined as not available or NA. The assessment area meets regulatory guidelines, and does not arbitrarily exclude low- or moderate-income areas.

The following table reflects the 2000 US Census demographics for the assessment area:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
Population	
Number of Families	962,464
Number of Households	1,406,860
Geographies	
Number of Census Tracts	777
# - % Low-Income Census Tracts/BNA	69 – 9%
# - % Moderate-Income Census Tracts/BNA	221 – 28%
# - % Middle-Income Census Tracts/BNA	233 – 30%
# - % Upper-Income Census Tracts/BNA	250 – 32%
# - % Unknown	4 – 1%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	62,532
2005 HUD-Adjusted MFI	64,167
2006 HUD-Adjusted MFI	65,843
2007 HUD-Adjusted MFI	65,843
Economic Indicators	
Unemployment Rate *	4%
2000 Median Housing Value	121,205
% of Households Below Poverty Level	9.21%

\* Per Moody's Economy.com March 2008

Total occupied housing units for the assessment area is at 95%, with owner-occupied housing at 54% and rental-occupied housing at 41%. Vacant housing units in the assessment area are at 5%.

While the Dallas economy was good during most of the evaluation period, recent

economic conditions have softened. Per Moody's Economy.com (March 2008),

"The Dallas economy firmed during the last few months of 2007, despite the national recession, and is running well ahead of the U.S. economy on a year to year basis. Although weakening in manufacturing employment is ongoing, substantial growth in private service-producing industries offset this detractor from growth. As elsewhere, the percentages of delinquent mortgages continue to increase, but the uptrend has been modest compared to the jolt nationally. Median home prices, which leveled off in early 2006, have fluctuated but not trended downward."

Some of the top employers in the bank's assessment area are Wal-Mart Stores, Inc, American Airlines, Texas Health Resources, AT&T Inc, and Baylor Health Care.

Discussions with a local community contact identified small business loans as primary credit needs within the bank's assessment area. While this type of lending is the primary lending focus of T Bank, the majority of the dental practice loans, which account for approximately half the loan portfolio, are extended to professionals located outside the bank's primary assessment area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

T Bank's loan-to-deposit (LTD) ratio is reasonable and commensurate with its size and financial condition. The bank's LTD ratio averaged 87% over the thirteen quarters from November 2, 2004 through December 31, 2007. This compares reasonably to the ratios of the following classifications of similarly situated banks during the same time period:

<b>Institution</b>	<b>Average Assets as of 12/31/07</b>	<b>Average LTD Ratio</b>
Worthington National Bank	156,415	98%
First Security Bank, N.A.	131,251	90%
<b>T Bank, N.A.</b>	<b>147,510</b>	<b>87%</b>
Dallas City Bank	146,441	86%
Millennium State Bank of Texas	127,859	85%
Live Oak State Bank	118,869	81%
Trinity Bank, N.A.	125,292	53%

*Source: Uniform Bank Performance Report*

Similarly situated financial institutions include institutions chartered in Dallas, Collin, Denton or Tarrant Counties, with total assets as of December 31, 2007 between \$100 million and \$200 million, and established after December 31, 1999.

## Lending in Assessment Area

Lending inside the assessment area displayed a satisfactory performance. Analysis of this criterion takes into consideration the significant size and composition of the assessment area, the size of the bank, and the location of the banking office(s). Using information provided by the bank, we reviewed all commercial and consumer loans originated (including those which have paid off) since the bank's inception through December 31, 2007. The data for the home purchase loans was derived from the 2006 and 2007 Home Mortgage Disclosure Act Loan Application Register (HMDA LAR). Our review included 757 loans totaling \$189 million.

Considering the bank's lending focus, the size and location of the bank, the size and composition of the assessment area, and lending opportunities for smaller institutions in the assessment area, T Bank exhibited adequate performance for lending in the assessment area. Based on total loans reviewed, approximately 60% of the number and 52% of the dollar volume of loans extended was within its assessment area. The breakdown by loan category is illustrated in the following table:

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial	312	54.26	89,283	51.13	263	45.74	85,333	48.87
Home Purchase	57	93.99	5,513	19.75	4	6.56	1,400	20.25
Consumer	83	68.60	3,507	49.99	38	31.40	3,508	50.01
Total Reviewed	452	59.70	98,303	52.14	305	45.57	90,241	47.86

In addition to the above analysis, we evaluated the trend in the bank's lending within the assessment area for all loans originated within the evaluation period, excluding those reported on the HMDA LAR. As depicted in the following table, the trend for lending in the assessment area displays deteriorating performance in the volume of loans extended to individuals and businesses residing in the assessment area. Conversely, the trend in the dollar volume within the assessment area reflects a positive trend from 2005 to 2007.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
YEAR ORIGINATED	#	%	\$ (000s)	%	#	%	\$ (000s)	%
2004	20	71.43	4,194	62.16	8	28.57	2,553	37.84
2005	89	74.17	15,217	42.83	31	25.83	20,312	57.17
2006	173	54.40	39,682	50.03	145	45.60	39,634	49.97
2007	128	51.61	36,718	57.84	120	48.39	26,767	42.16
Total Reviewed	410	51.61	95,810	51.77	304	42.58	89,266	48.23

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

Overall borrower distribution is reasonable based on adequate performance for lending to businesses of different sizes, which carries the most weight given the lending strategy.

For determining the bank’s performance in lending to business of different sizes, we selected a sample of thirty-four (34) commercial loans and collected the sales/revenue information. Distribution is slightly less than comparator for number of loans and good when considering the dollar penetration to small businesses.

<b>Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68.31	5.36	26.33	100%
% of Bank Loans in AA by #	55.88	41.18	2.94	100%
% of Bank Loans in AA by \$	82.68	16.05	1.27	100%

Source: Loan sample; Dunn and Bradstreet data.

With respect to consumer loans, penetration to low-income borrowers is poor, but considered adequate overall since good performance exists relative to moderate-income borrowers. This is based on our sample of thirty (30) consumer loans extended to borrowers within the assessment area.

<b>Borrower Distribution of Consumer Loans in AA</b>								
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	20.31	0.00	17.61	20.00	19.20	6.67	42.88	73.33

Source: Loan sample

The following information was provided from HMDA data submitted by the bank. However, because a high percentage (87.72%) of the reported applicant income is “unknown” due to the number of applicants that are not a natural person (i.e. business entities), we cannot reliably assess borrower distribution for residential real estate loans.

<b>Borrower Distribution of Residential Real Estate Loans in AA</b>								
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
Home Purchase	20.41	1.75	17.52	7.02	20.15	0.00	41.92	3.51

Source: Data reported under HMDA; U.S. Census data.

### Geographic Distribution of Loans

Overall performance is poor. Lending in low- and moderate-income geographies is poor for both commercial and consumer loans. Performance for commercial loans received much greater weight given T Bank’s commercial lending focus.

Geographic distribution for loans to businesses in the assessment area is weak. The penetration in low- and moderate- income areas is substantially lower than the percentage of businesses operating in those geographies. This is particularly concerning for the moderate-income geographies as there is an ample number of businesses and opportunities.

Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Commercial	4.22	1.79	23.91	11.43	31.37	21.79	39.66	65.00

Source: Data collected by bank; U.S. Census data.

Geographic distribution for consumer loans is also weak with no loans extended in the low-income geographies. In addition, penetration in the moderate-income areas is much lower than the comparator.

Geographic Distribution of Consumer Loans in AA								
Census Tract 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	6.59	0.00	25.22	10.67	33.59	17.33	34.60	72.00

Source: Data collected by bank; U.S. Census data.

On the other hand, geographic distribution for residential real estate loans is excellent and the only strong performance noted in this evaluation.

Geographic Distribution of Residential Real Estate Loans in AA								
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	2.68	3.51	19.90	28.07	31.70	42.11	45.72	26.32

Source: Data reported under HMDA; U.S. Census data.

### **Responses to Complaints**

T Bank has not received any complaints related to CRA lending or Fair Lending during this evaluation period. This has a neutral impact on the overall CRA rating.

### **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.