



LIMITED PURPOSE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 3, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Town North Bank Nevada, National Association
Charter Number: 24576

871 Coronado Center Drive, #200
Henderson, NV 89052-3977

Office of the Comptroller of the Currency
Dallas Field Office
17300 Dallas Parkway, Suite 2020
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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.

The conclusions for the three rating criteria are:

- The bank demonstrates a satisfactory level of qualified investment activity.
- The bank demonstrates limited use of innovative or complex qualified investments or community development services.
- The bank demonstrates adequate responsiveness to credit and community development needs in its assessment area.

Scope of the Examination

In evaluating the bank's performance under the CRA, we reviewed community development activities from October 6, 2005 through November 3, 2008. We reviewed the level and nature of qualified investments and community development services. This is the bank's first examination.

Description of Institution

Town North Bank Nevada, National Association (TNBN) operates one office in Henderson, Nevada. It opened for business October 6, 2005, with approval as a limited purpose bank for CRA and operating under the provisions of the Competitive Equality Banking Act of 1987 (CEBA).

TNBN is a wholly owned subsidiary of Town North Bank, N.A. (TNB), which is a wholly owned subsidiary of CU Bank Shares, Inc., a one-bank Texas holding company. TNB previously operated a division that provided electronic payment services to credit unions and serviced over 1.1 million credit and debit card accounts across 28 states. In October 2005, TNB was granted a separate charter, TNBN, and subsequently transferred the credit card assets to the wholly owned bank subsidiary.

TNBN does not accept retail deposits or make commercial loans. The bank funds credit cards through the parent bank in the form of brokered deposits and term auction funds secured by credit card receivables.

At September 30, 2008, TNBN's total assets were \$337 million. To-date, TNBN has credit card receivables from 143 clients institutions located in 37 states. The bank has 161,694 credit card accounts with 381 in Nevada. Net loans total \$288.2 million. The remaining assets primarily consist of intangible assets and securities totaling \$42.6 million and \$1.7 million, respectively. There has been no merger or acquisition activity since the bank opened. There is a deposit totaling \$500 thousand.

As a CEBA credit card bank, TNBN must engage only in credit card operations and must not: (1) accept demand deposits or deposits that the depositor may withdraw by check or similar

means for payment to third parties or others; (2) accept any savings or time deposits of less than \$100,000; (3) maintain more than one office that accepts deposits; or (4) engage in the business of making commercial loans.

Table 1: Financial Information (000s)

	Year-end 2005	Year-end 2006	Year-end 2007	Quarter-end 09/30/2008	Average for Evaluation Period
Tier 1 Capital	\$25,047	\$27,586	\$57,963	\$72,460	\$45,764
Total Income	\$821	\$4,442	\$1,987	\$(1,047)	\$1,551
Net Operating Income	\$547	\$3,025	\$1,347	\$(636)	\$1,070
Total Assets	\$130,030	\$145,522	\$326,289	\$336,640	\$234,620

Source: Consolidated Report of Condition and Income and bank reported data.

Description of Assessment Area

TNBN has designated the Las Vegas-Paradise MSA, which is Clark County, as its AA. The AA meets regulatory requirements and does not arbitrarily exclude any low- and moderate-income census tracts. The bank office is located in the city of Henderson, which is part of Clark County. Henderson is located 10 miles southeast of Las Vegas. It is the second largest city in the state of Nevada. Clark County has a population of approximately 2 million. Henderson's population represents 13% of the county. The most recent Department of Housing and Urban Development's updated median income for 2007 was \$60,100. The median housing price for Clark County in 2007 was \$127,982 with the average home being built in 1986. The housing costs are a little high with the median price of a new home at \$278,630. This could negatively impact homeownership affordability. Household incomes for 10% of the population were below the poverty level. Low- and moderate-income tracts represent 25% of the census tracts.

Clark County includes the City of Las Vegas, which relies heavily on tourism. As a result, the most common occupations and types of employers are related to services (27%); management, professionals, and related occupations (26%); and sales and office occupations (26%). The unemployment rate in the AA is 3.25%, which was below the national rate of 4% in 2007.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	345	2.03%	22.61%	42.61%	31.59%
Families	342,405	1.44%*	24.51%*	42.70%*	31.35%*
Businesses	123,780	4.94%**	20.75%**	37.71%**	36.19%**

Source: Demographic Data – 2000 U.S. Census, Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract.

Community credit needs and opportunities were determined from a number of sources. The City of Henderson is a planned small business incubator, one of the projects in the Las Vegas Enterprise Community effort.

During the evaluation period, OCC representatives met with community organizations in the AA whose efforts were focused on affordable housing and small business development.

Conclusions about Performance

Summary

- The bank’s overall level of community development activities is satisfactory considering the opportunities available for a limited purpose bank, the small staff size, and its recent charter in October 2005. The bank purchased a mortgage-backed security (MBS) for \$1.7 million and made grants and donations totaling \$42 thousand.
- TNBN’s community development activities are neither innovative nor complex. TNBN’s involvement in the AA has been limited to working with one community group.
- Bank activities have been adequate in responding to identified credit and community development needs.

Qualified Investments

During the evaluation period, the bank funded approximately \$1,764,000 in qualified investments inside the AA. The investment is not innovative or complex, although it is routinely provided by private investors. Table 3 summarizes the bank’s investment activity.

Table 3: Qualified Investment Activity (000s)

	Benefits AA
Originated Investments	\$1,764
Originated Grants	\$42
Prior-Period Investments that Remain Outstanding	\$0
Total Qualified Investments	\$1,806
Unfunded Commitments*	\$0

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 4: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Average Tier 1 Capital	3.9%
Total Investments/Average Total Income	116.4%

In addition to the MBS, the bank made donations to various credit counseling groups. Of the grants and donations made, one donation of \$10,000 was made to Habitat for Humanity in 2008.

Community Development Lending

The bank did not make any community development loans.

Community Development Services

TNBN has had limited activity in the community. During 2008 the vice president of TNBN served on the Family Service Committee. The committee is responsible for selecting new homebuyers and organizes a curriculum of classes that teach strategies for successful homeownership.

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.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Assessment Area (AA): A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Benefit to Assessment Area: A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity has the potential to benefit the assessment area and is located in the broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

CEBA: Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a "bank holding company" under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans.

Census Tract (CT): Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Community Development (CD): Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or

- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
- a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Limited Purpose Institution: An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect.

Median Family Income (MFI): The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Net Operating Income: As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments.

Pass-Through Receivables: Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Total Assets: Total bank assets as listed in the Consolidated Report of Condition and Income.

Total Income: From the Consolidated Report of Condition and Income – Total Interest income plus Total Non interest income.