



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 01, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The National Bank of Texas at Fort Worth
Charter Number 16226

2535 Northeast 28th Street
Fort Worth, TX 76161

Office of the Comptroller of the Currency

9003 Airport Freeway, Suite 275
North Richland Hills, TX 76180-9127

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 National Bank of Texas' (NBOT) lending performance reflects a satisfactory response to community credit needs. Support for this assessment includes:

- NBOT's loan-to-deposit ratio is reasonable given the resources, local credit needs, and local competition.
- A substantial majority of lending activities are within NBOT's assessment area.
- The distribution of loans reflects excellent penetration to low- and moderate-income households and small businesses.
- The distribution of loans reflects reasonable dispersion throughout the assessment area.

SCOPE OF EXAMINATION

Our review considered lending activity since January 1, 2009 and focused on NBOT's primary product lines: consumer auto, commercial real estate and commercial vehicles. With the release of the **2010** Census data, the loans originated in 2012 and later are presented in context of this data. Loans originated prior to 2012 are presented in context of the **2000** Census data. This Performance Evaluation (Report) contains analysis and tables for both periods. For simplicity, any analysis on 2011, and earlier, data is labeled "**2011 Data**" and any analysis on 2012, and later, data is labeled "**2012 Data**". We reviewed consumer auto, commercial real estate and commercial vehicles products for each of the periods noted in the previous paragraph.

NBOT identifies and records the census tract of each loan generated and is able to produce reports on all loans generated for the periods noted above. We randomly tested these reports for accuracy and noted no exceptions. We will use this data for the ***Lending in the Assessment Area*** and ***Geographic Distribution of Loans*** assessments. For the ***Lending to Borrowers of Different Incomes and Lending to Businesses of Different Sizes*** assessments, we randomly selected 20 loans for each period and each product.

DESCRIPTION OF THE NATIONAL BANK OF TEXAS

NBOT is a community bank chartered in 1973. NBOT operates a main facility located just north of downtown Fort Worth, Texas, and branches located in Burleson, Texas; Hurst, Texas and Azle, Texas. All three branch locations are bedroom communities of the Dallas/Fort Worth metroplex with Burleson located just south of Fort Worth, Hurst located just northeast of Fort Worth and Azle located just west of Fort Worth. All locations are full service facilities offering drive-up services and automatic teller machines. NBOT's primary product lines are consumer loans (by the number) and business loans (by the dollar). NBOT also offers customary deposit products for both individuals and businesses as well as Internet based banking services and free online bill pay. NBOT's business strategy is to continue to serve the local community with commercial and consumer lending products.

NBOT is a subsidiary of Horizon Bancshares, Inc., a one-bank holding company based in Fort Worth, Texas. NBOT is the primary asset of the holding company. There are no other subsidiaries or affiliates and there was no merger or acquisition activity during the evaluation period. At December 31, 2012, NBOT reported total assets of \$167 million, total loans of \$61 million and total deposits of \$148 million. The following table details the composition of NBOT's loan portfolio as of December 31, 2012:

Loan Portfolio Composition	(000's)	%
Commercial Real Estate	20,865	34.3
Commercial	20,010	32.9
Consumer	11,579	19.0
Construction/Development	6,419	10.5
Farm Land	1,010	1.7
Agriculture	495	0.8
Other	510	0.8
Totals (36.4% of Total Assets)	60,888	100.0

Source: December 31, 2012 Report of Condition

There are no legal, financial, or other factors that impede NBOT's ability to meet the credit needs of its assessment area. The most recent CRA examination was performed as of June 21, 2006 and NBOT received a satisfactory rating.

There were two community contacts conducted in 2012 in Tarrant and Parker Counties and we conducted one contact in Wise County as part of this examination. There was no information noted in any contact that would indicate NBOT is not meeting the credit needs of its assessment area. The main credit needs identified are small business loans, home purchase/improvement loans and general consumer loans.

DESCRIPTION OF THE ASSESSMENT AREA: PARKER, JOHNSON, TARRANT AND WISE COUNTIES

NBOT defines its assessment area as Parker, Johnson, Tarrant and Wise Counties with a total population of 2.1 million. These counties make up the Fort Worth/Arlington Metropolitan Statistical Area (MSA). The assessment area includes whole and contiguous counties. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income areas. Specific demographic and economic data are listed below.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE ASSESSMENT AREA		
	<u>2000 Census Data</u>	<u>2010 Census Data</u>
Population		
Number of Families	444,129	525,211
Number of Households	625,976	743,144
Geographies		
Number of CT's	357	415
% Low-Income CT's	6.7%	8.2%
% Moderate-Income CT's	26.3%	27.5%
% Middle-Income CT's	40.1%	38.3%
% Upper-Income CT's	26.9%	25.8%
% N/A-Income CT's	0.0%	0.2%
Median Family Income (MFI)		
MFI for the assessment area	\$53,268	\$65,319
HUD-Adjusted MFI	\$68,200	\$69,200
Economic Indicators		
Unemployment Rate	3.11%	6.4%
Median Housing Value	\$98,851	\$144,501
% of Households Below Poverty Level	9.55%	11.67%

Source: 2000 & 2010 U.S. Census data.

Economic conditions are currently good. The Fort Worth/Arlington MSA is one of the fastest growing MSAs in the country. The economy is robust and diverse. Major employers include Lockheed Martin Corporation, AMR Corporation, the Independent School Districts of Fort Worth and other communities in the assessment area, Texas

Health Resources, D. R. Horton, City of Fort Worth, Bell Helicopter, SBC, and Tarrant County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity since January 1, 2009. We used loan, borrower income, and assessment area data provided by management and tested it for accuracy. Refer to the **SCOPE OF EXAMINATION** section of this Report for details on the sampling process.

Loan-to-Deposit Ratio

NBOT's loan-to-deposit (LTD) ratio is reasonable and meets the standards for satisfactory performance.

The LTD ratio measures the extent to which the subject bank has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the prior CRA examination was used to determine performance in this area. The average LTD ratio for NBOT since the prior CRA examination was 46.2%. The level of competition is significant as the assessment area contains 28 other chartered financial institutions with which to compare NBOT. This does not include branches of institutions chartered elsewhere. The average LTD ratios, for the same period, of these institutions ranged from 46.5% to 170.7%. NBOT's LTD ratio is slightly below the range of competing institutions. This is not a CRA concern.

Our "as of" date (March 27, 2013) reflected 1,505 loans on the bank's loan trial. Of this number, 920 (61%) were consumer related, which typically are smaller in originating amounts and would tend to result in a lower LTD ratio. By dollar amount, these loans represent only 22% of total loans. Additionally, NBOT reports two significant, long-term depositors with balances that represent 45% of the top ten depositors in the bank. This level of deposits would also tend to lower the LTD ratio.

Based on the facts above, NBOT's LTD ratio is reasonable and reflects satisfactory efforts to meet the credit needs of the communities served.

Lending in the Assessment Area

NBOT's lending practice reflects a substantial majority of the lending activity within the assessment area, which exceeds the standards for satisfactory performance.

This section quantifies which proportion of the bank's lending activity was within its assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment area, would be considered less than satisfactory. However, a substantial majority of NBOT's lending efforts are concentrated within its assessment area.

To assess the NBOT's performance, we used the census tract report described in the **SCOPE OF EXAMINATION** section of this Report. Based on this internal report, a substantial majority of the bank's loans were originated within NBOT's assessment area. The following table reflects the results of our assessment of NBOT's efforts to lend within its assessment area.

Lending in the Assessment Area										
All Loan Originations	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<u>2011 Data</u>	430	83.8%	83	16.2%	513	15,077	74.9%	5,056	25.1%	20,133
<u>2012 Data</u>	740	87.3%	108	12.7%	848	27,454	87.2%	4,040	12.8%	31,494
Overall Totals	1,170	86.0%	191	14.0%	1,361	42,531	82.4%	9,096	17.6%	51,627

Source: Internal management reports.

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

NBOT's loan distribution to different family and household income levels, as well as to businesses of different sizes, reflects excellent penetration to borrowers of different incomes and businesses of different sizes. This exceeds the standards for satisfactory performance.

NBOT obtains and analyzes applicant income information during the loan decision process; however, this information is not used for CRA purposes. To assess NBOT's efforts, we used the samples described in the **SCOPE OF EXAMINATION** section of this Report. Please refer to the following tables. Also, NBOT does not have a minimum loan amount in its loan policy. We reviewed the loan trial and noted a number of loans for \$1,000 or less (the lowest was \$400.00), and noted an additional number of other credits for \$1,500 or less. These combined factors indicate NBOT is meeting the credit needs of the community.

Borrower Distribution of Consumer Auto Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
<u>2011 Data</u>	21.1%	35.0%	17.6%	15.0%	19.9%	35.0%	41.4%	15.0%
<u>2012 Data</u>	19.8%	50.0%	17.7%	25.0%	23.0%	15.0%	39.5%	10.0%

Source: Loan sample and 2000 & 2010 U.S. Census data.

Overall, a majority of the number of NBOT’s commercial vehicle and commercial real estate loans are to businesses with gross annual revenues of less than \$1 million. The following table illustrates the lending distribution to businesses located within NBOT's assessment area.

Borrower Distribution of Commercial Loans				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
<u>2011 Data</u>				
% of AA Businesses	67.7%	2.1%	30.2%	100%
Commercial Real Estate:				
% of Bank Loans in AA by #	95.0%	5.0%	0.0%	100%
% of Bank Loans in AA by \$	92.7%	7.3%	0.0%	100%
Commercial Vehicles:				
% of Bank Loans in AA by #	90.0%	10.0%	0.0%	100%
% of Bank Loans in AA by \$	93.8%	6.2%	0.0%	100%
<u>2012 Data</u>				
% of AA Businesses	71.5%	2.8%	25.7%	100%
Commercial Real Estate:				
% of Bank Loans in AA by #	90.0%	10.0%	0.0%	100%
% of Bank Loans in AA by \$	67.2%	32.8%	0.0%	100%
Commercial Vehicles:				
% of Bank Loans in AA by #	100.0%	0.0%	0.0%	100%
% of Bank Loans in AA by \$	100.0%	0.0%	0.0%	100%

Source: Loan samples and Dunn and Bradstreet data.

Geographic Distribution of Loans

NBOT’s geographic distribution of loans reflects reasonable dispersion throughout the assessment area, given the bank’s size, primary loan products, and the assessment area demographics.

As noted earlier, NBOT records and tracks census tract data and management generates internal reports reflecting lending activity since January 1, 2009. These reports were tested for accuracy. The following tables illustrate the lending distribution (for all consumer and business loans) of NBOT’s lending activity during the rating period. The bank’s lending by geography is reasonable and there were no conspicuous gaps in lending throughout the AA.

Geographic Distribution of Consumer Loans in the Assessment Area								
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
<u>2011 Data</u>	4.7%	1.9%	23.5%	17.2%	43.1%	60.7%	28.7%	20.2%
<u>2012 Data</u>	5.5%	2.3%	25.4%	21.4%	41.6%	41.9%	27.4%	34.5%

Source: Internal Reports and 2000 & 2010 U.S. Census data.

Geographic Distribution of Business Loans in the Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
<u>2011 Data</u>	2.6%	0.0%	18.5%	19.0%	39.6%	65.0%	39.4%	16.0%
<u>2012 Data</u>	4.5%	4.7%	20.8%	13.4%	37.9%	46.6%	36.7%	35.2%

Source: Internal Reports and 2000 & 2010 U.S. Census data.

Responses to Complaints

There were no CRA related complaints since the prior CRA Examination.

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.