



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**June 21, 2006**

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

**The National Bank of Texas at Fort Worth  
Charter Number 16226**

**2535 Northeast 28th Street  
Fort Worth, TX 76161**

**Comptroller of the Currency  
Fort Worth  
9003 Airport Freeway, Suite 275  
North Richland Hills, TX 75201**

**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 at Fort Worth has a satisfactory record of meeting the credit needs of its assessment area (AA). We based our conclusion of the bank's lending practices. The factors and data supporting this rating are as follows:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.
- A majority of loans, 73% in number and 83% in dollar volume, are originated in the bank's AA.
- The distribution of loans to borrowers of different incomes reveals a satisfactory penetration to businesses of different sizes and excellent penetration to individuals of different incomes.
- The geographic distribution of loans is reasonably dispersed throughout the AA.
- No consumer complaints regarding the bank's CRA performance were received during this evaluation period.

## DESCRIPTION OF INSTITUTION

The National Bank of Texas at Fort Worth (NBOT), a \$101 million institution, was chartered in 1973. The bank's main office is located in a moderate-income census tract, north of downtown Fort Worth, TX. The bank has two branch offices in Hurst, TX and Burleson, TX. All locations have drive-up facilities and automatic teller machines. The bank's primary product lines are business and consumer loans. NBOT offers customary deposit products for both individuals and businesses as well as Internet based banking services. The bank's business strategy is to continue to serve the local community with commercial and consumer lending products.

The bank is a subsidiary of Horizon Bancshares, Inc., a one-bank holding company based in Fort Worth, TX, with total assets of \$6.9 million as of June 30, 2006. NBOT is the primary asset of the holding company. There are no other subsidiaries or affiliates.

Total loans outstanding as of September 30, 2006, amount to \$52 million, which represents 52% of total assets. The following chart details the composition of NBOT's loan portfolio as of September 30, 2006.

<b>Loan Portfolio Composition as of September 30, 2006</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate	15,622	29.77
Construction & Development	14,369	27.38
Commercial & Industrial	10,761	20.51
Consumer	10,045	19.14
Other	1,675	3.20
<b>Total</b>	<b>52,472</b>	<b>100.00</b>

*Source: September 30, 2006 Report of Condition*

Banking competition is aggressive in Tarrant County and includes dominant affiliates of large national banking companies, large regional financial institutions, and numerous small community banks.

There are no legal or financial circumstances that impede the bank's ability to meet the credit needs of its AA. The last CRA performance evaluation was done on February 4, 2002, and the bank was rated "Satisfactory".

A community contact made during the evaluation revealed that in general, the local financial institutions are meeting the credit needs of the AA. The primary credit needs identified are small business lending and overall consumer financing.

## DESCRIPTION OF ASSESSMENT AREA

The bank's defined AA is located in the Fort Worth/Arlington Metropolitan Statistical Area (MSA), which includes portions of Tarrant County and Johnson County. The Board has designated 135 of the 357 census tracts of the MSA as the bank's AA, which includes 16 low-income tracts, 38 moderate-income tracts, 47 middle-income tracts, and 34 upper-income tracts. The AA 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.

<b>Demographic and Economic Characteristics of Tarrant County Assessment Area</b>	
<b>Population</b>	
Number of Families	152,504
Number of Households	202,865
<b>Geographies</b>	
Number of Census Tracts	135
% Low-Income Census Tracts	11.85%
% Moderate-Income Census Tracts	28.15%
% Middle-Income Census Tracts	34.81%
% Upper-Income Census Tracts	25.19%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$53,268
2006 HUD-Adjusted MFI	\$63,100
<b>Economic Indicators</b>	
Unemployment Rate	4.60%
2000 Median Housing Value	\$99,876
% Households Below Poverty Level	9.00%

*Source: 2000 Census data and HUD updated income data.*

The population of the AA is approximately 597,340 based on 2000 U.S. Census data. There are 213,246 housing units in the AA, of which 69% are owner-occupied, 26% renter-occupied, and 5% are vacant. The median housing value is \$99,876 and the median year built is 1974.

Approximately 19% of the families in the AA are considered low-income, 18% moderate-income, 21% middle-income, and 43% upper-income.

Based on 2006 Dun and Bradstreet business demographic data, there are 51,521 businesses in the AA, of which 67% reported gross annual revenue less than or equal to \$1 million and 5% reported gross annual revenue greater than \$1 million. Because reporting is voluntary, 28% of the businesses did not report revenues.

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, Fort Worth Independent School District, and Arlington Independent School District, Texas Health Resources, D. R. Horton, City of Fort Worth, Bell Helicopter, SBC, and Tarrant County. All of these employers have more than 82,000 employees.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank's performance is satisfactory. Conclusions with respect to the following three performance criteria, Lending in Assessment Area, Lending to Borrowers of Different Incomes and to Businesses of Different Sizes, and Geographic Distribution of Loans, are based on a sampling of the institution's loan portfolio. Examiners reviewed commercial loans (including commercial real estate loans and commercial and industrial loans) and consumer loans originated between January 2003 and December 2006. Our sample included 40 commercial loans and 20 consumer loans.

### Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The LTD ratio averaged 47.66% over the past 20 quarters since our last CRA examination. The ratio is the lowest of the peer group and below 50%; however, the ratio is showing an improving trend during the evaluation period and is currently at its highest point. During the evaluation period, the LTD ratio ranged from 38.60% as of December 31, 2002, to a high of 58.24% as of September 30, 2006. The bank identified several similarly situated competitors. The quarterly average LTD ratio for each bank is listed below. Please note that these banks are listed alphabetically and that no ranking is intended or implied.

<b>Loan-to-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets (000's) As of 9/30/2006</b>	<b>Average Loan-To-Deposit Ratio</b>
Citizens National Bank	\$138,267	88.17%
First National Bank, Burleson	\$133,111	51.86%
Fort Worth National Bank	\$120,230	106.04%
<b>The National Bank of Texas</b>	<b>\$101,130</b>	<b>47.66%</b>
Woodhaven National Bank	\$263,984	79.15%
Worth National Bank	\$399,156	80.97%

*Source: Institutions Report of Condition from December 2001 to September 2006*

### Lending in Assessment Area

A majority of the bank's loans were made within its AA, which reflects a satisfactory commitment to meeting the credit needs of the AA. Our analysis determined that 73% of the number of loans and 83% of the dollar amount of loans in the sample were extended within the bank's AA. The table below reflects the distribution by product type.

<b>Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	29	72.50	11	27.50	40	6,501	82.43	1,386	17.57	7,887
Consumer	15	75.00	5	25.00	20	238	86.23	38	13.77	276
Totals	44	73.33	16	26.67	60	6,739	82.56	1,424	17.44	8,163

*Source: Sample of loans used for CRA performance analysis.*

The bank also internally tracks loans originated within its AA. The most recent report, dated September 30, 2006, shows 66% of the number of loans and 72% of the dollar amount of loans were originated within the bank's AA. The report reflects all loans outstanding.

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

Overall, performance for lending to borrowers of different incomes and businesses of different sizes is good and meets the standards for excellent performance. To perform our analysis, we reviewed income information for 40 commercial loans and 20 consumer loans originated in the bank's AA. Each of these loan products was equally considered in the overall rating for this assessment factor. The loans were originated during the same review period as above.

#### Commercial Loans

The bank's lending to businesses of different sizes meets the standards for satisfactory performance. The bank emphasizes commercial lending and markets its products to all business sizes in the AA. The sample of business loans reviewed found 53% of the number and 65% of the dollar volume of loans were extended to businesses with gross revenues of less than \$1 million per year. The following charts reflect the results of our review of commercial loans originated in the AA.

<b>Borrower Distribution of Loans to Businesses</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67.13	4.74	28.13	100.00
% of Bank Loans in AA by #	52.50	15.00	32.50	100.00
% of Bank Loans in AA by \$	64.99	7.41	27.60	100.00

*Source: Loan sample; Dun and Bradstreet data*

### Consumer Loans

Consumer lending exceeds the standard for satisfactory performance. Based on 2000 U. S. Census information, 22% of the households in the AA are low-income and 25% of the households are moderate-income. Our review determined that the bank made 60% of its consumer loans to low- and moderate-income households. The bank shows strong performance in lending to low-income households with 40% penetration. The following chart reflects the results of our selected sample of consumer loans originated in the AA.

<b>Borrower Distribution of Consumer Loans</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	21.79	40.00	24.55	20.00	26.31	20.00	27.34	20.00

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

### **Geographic Distribution of Loans**

A comparison of two primary loan types reveals that the geographic distribution of loans is good and meets the standards for satisfactory performance. The loan distribution reflects a reasonable dispersion of commercial loans throughout the AA and a good dispersion for consumer loans. NBOT is originating loans throughout its AA and there are no conspicuous gaps or areas of low penetration in the bank's lending patterns.

### Commercial Loans

The bank's record of lending to small businesses of various sizes reflects a satisfactory geographic dispersion throughout the bank's AA with 35% of the number of loans in low- and moderate-income census tracts compared to 30% of AA businesses in low- and moderate-income census tracts. The following chart reflects the results of our selected sample of commercial loans originated in the AA.

Geographic Distribution of Loans to Businesses								
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 loans	5.20	0.00	24.83	35.00	33.14	25.00	36.83	40.00

Source: Loan sample; Dun & Bradstreet data.

### Consumer Loans

The bank exceeds the standards for satisfactory performance in geographic distribution of consumer loans compared to the percentage of low- and moderate-income households. Our analysis indicates that the bank's loans are comparable to the percentage of households in low-income census tracts and significantly exceed the percentage of households in moderate-income census tracts. The following chart reflects the results of our selected sample of consumer loans originated in the AA.

Geographic Distribution of Consumer Loans								
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	6.46	5.00	23.18	60.00	38.82	10.00	31.54	25.00

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

### **Responses to Complaints**

During this evaluation period, NBOT did not receive any consumer complaints that relate to CRA performance.

### **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.