



SMALL BANK

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

PUBLIC DISCLOSURE

November 28, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Gateway National Bank
Charter Number 17164**

**12655 N. Central Expressway, #100
Dallas, TX 75243**

**Comptroller of the Currency
Dallas
500 North Akard, Suite 1600
Dallas, 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 the financial institution.

INSTITUTION'S CRA RATING This institution is rated Satisfactory.

Gateway National Bank (GNB) has a satisfactory record of meeting community credit needs. The primary factors supporting the bank's overall rating include:

- The borrower distribution of commercial loans we sampled reflects an excellent penetration of loans made to businesses with gross annual revenues less than or equal to \$1 million.
- A reasonable average net loan to deposit ratio of 69% in comparison to similarly situated financial institutions.
- A majority of loans we sampled, representing 58% of the number and 46% of the total dollar amount, originated within the bank's assessment area.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

GNB is a community bank with its main office located in Dallas, Texas. As of September 30, 2005, the bank reported total assets of approximately \$236 million. Gateway Holding Company, Inc., a Texas corporation, wholly owns the bank (pre-merger). The holding company reported total assets of \$16,807,199 as of September 30, 2005. GNB serves the Dallas metroplex through six banking locations and six automated teller machines (ATM):

Office	Location	Hours of operation		
		Lobby	Drive-up	
Main office	12655 N. Central Expressway	8:30-5:30 M-F		ATM
Balch Springs	3636 Shepherd Lane	9-4 M-TH 9-6 F	7-7 M-F 8-12 S	ATM
Mesquite	2424 Beltline Road	9-4 M-TH 9-6 F	7-7 M-F 9-12 S	ATM
Carrollton	2650 Midway Road	9-5 M-F	8-6 M-F	ATM
Frisco	6801 Gaylord Parkway	8:30-4 M-TH 8:30-6 F	7:30-6 M-F	ATM
Frisco	2860 Main Street	9-5 M-TH, 9-6 F, 9-12 S	7:30-7 M-F 9-12 S	ATM

Based on the 1990 Census information, four of these locations were in middle-income census tracts while three were in upper-income census tracts. With the 2000 Census data, demographics changed and GNB has one branch located in a moderate-income census tract, two in middle-

income census tracts, and four in upper-income census tracts. Moreover, GNB also has alternative ATM locations, which are owned and serviced by “DR ATM,” but are branded Gateway National Bank. These locations are as follows:

- 12801 North Central Expressway, Dallas, TX 75243
- 5601 Warren Pkwy, Frisco, TX (Open 24 hours)
- 2591 Dallas Pkwy, Frisco, TX (7-6 M-F)
- 2401 Internet, Frisco, TX (7-6 M-F)
- 2601 Network, Frisco, TX (7-6 M-F)
- 7801 Main St., The Colony, TX (11-midnight M-F; 9-midnight weekends)

In addition, GNB customers can use national ATM locations through the Select ATM network. The bank also has seven mobile branches. These mobile branches offer banking services to retirement and senior citizen facilities. One mobile branch is located in Balch Springs, three in Dallas, and three in Mesquite.

GNB is a full service institution, providing various deposit and loan products, including Internet Banking and “The Church Connection.” Loan products offered include commercial, consumer, and real estate loans. GNB is a Certified Small Business Administration (SBA) lender. As of September 30, 2005, the bank reported net loans to total assets ratio of 58%. The following table portrays the bank’s principal loan mix.

Loan Category	\$ (000)	%
Commercial Real Estate	74,595	54
Commercial	40,946	30
Construction & Development	10,700	8
Consumer	6,913	5
Residential Real Estate	3,082	2
Farmland	2,192	1
Other Loans	83	< 1
Total	138,511	100

There are no legal, financial or other factors impeding the bank’s ability to meet the credit needs of its assessment area. GNB was rated “Satisfactory” in its previous CRA performance evaluation, dated September 18, 2000.

DESCRIPTION OF PORTIONS OF COLLIN, DALLAS, AND DENTON COUNTIES

GNB's assessment area meets regulatory guidelines, and does not arbitrarily exclude low or moderate-income areas. The following table reflects the assessment area demographics data.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Census Year</i>	2000
<i>Population</i>	
Number of Families	455,089
Number of Households	699,068
<i>Geographies</i>	
Number of Census Tracts	380
# - % Low-Income Census Tracts	33 – 9%
# - % Moderate-Income Census Tracts	86 – 23%
# - % Middle-Income Census Tracts	112 – 29%
# - % Upper-Income Census Tracts	145 – 38%
# - % NA	4 – 1%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$66,372
2003 HUD-Adjusted MFI	\$55,854
2004 HUD-Adjusted MFI	\$56,313
<i>Economic Indicators</i>	
Unemployment Rate	6.2%*
2003 - 2004 Median Housing Value	\$136,818
% of Households Non English Speaking	23%
% of Households on Social Security	15%
% of Households Below Poverty Level	9%
% of Households on Retirement	9%

* Based on September 2005 Bureau of Labor Statistics (BLS) Data for Dallas County, TX

The 2000 Census demographics of the assessment area (AA) includes 94% occupied housing units, with owner-occupied housing at 51%, rental-occupied housing at 43%, and vacant housing units at 6%.

There are several financial institutions that operate within the bank's stated assessment area. They are comprised of other national banks, branches of larger national and state banks, and credit unions, consisting of, but not limited to: J.P. Morgan Chase (formerly Bank One, N.A.), Wells Fargo Bank Texas, N.A., Compass Bank, Washington Mutual Bank, F.A., Colonial Savings, F.A., Sovereign Bank, N.A., and First Convenience Bank. The economy of the area is stable and diverse. The largest employers in the assessment area are the following: American Airlines, EDS, Texas Instruments, Parkland Memorial Hospital, UT Southwestern Medical Center, Baylor Medical Center, University of North Texas, and J. C. Penney. The largest industries are services, retail trade, and finance, insurance and real estate.

Through interviews with persons in the Frisco and Dallas areas, we determined the credit needs

of the community include small business lending and affordable housing. The community contacts indicated area financial institutions are very cooperative and diligent in trying to meet the community's credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This evaluation of GNB's overall CRA performance covers the periods from September 19, 2000, through September 30, 2005. Our assessment of the bank's lending performance is based on loans originated within the assessment area in 2004 and 2005. The sample of loans we reviewed included commercial and Small Business Administration (SBA) guaranteed loans. While GNB makes residential and consumer installment loans, they do not represent a significant portion of the lending portfolio. Overall, GNB meets the standards for satisfactory performance. The bank's strengths are its lending to businesses with gross annual revenues of \$1 million and less.

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

GNB exceeds the standards for satisfactory performance. As illustrated in the table below, the bank demonstrates an excellent distribution of loans to businesses of different sizes.

GNB originated a substantial number of loans to businesses with gross annual revenues of \$1 million or less. We reviewed a sample of 20 commercial and 20 SBA loans totaling \$8.1 million. Of the loans sampled, 33, totaling \$5.3 million, were made to businesses with revenues of \$1 million or less. Fifteen of the commercial loans and 18 of the SBA loans were made to businesses with revenues of less than or equal to \$1 million. The following table illustrates the bank's lending penetration to businesses of different sizes:

Borrower Distribution of Loans to Businesses/Farms in portions of Collin, Dallas, and Denton Counties		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	63%	6%
% of Bank Loans in AA by #	83%	17%
% of Bank Loans in AA by \$	65%	35%

* 31% of businesses located in AA did not report revenue information.

Loan-to-Deposit Ratio

GNB average loan-to-deposit (LTD) ratio for the 21 quarters since September 2000 is 69%. Given the bank's size, financial condition, and assessment area credit needs, the bank meets the standards for satisfactory performance. Although GNB's average LTD ratio appears less favorable when compared to certain other financial institutions within the same assessment area, it is considered reasonable given the bank's size, scope operations, and competitive environment. Information on these financial institutions is detailed in the following table:

Institution	Assets ('000's) As of 09-30-05	Average LTD Ratio
State Bank, Irving, Texas	196,991	112%
First International Bank, Plano, Texas	223,779	106%
Jefferson Bank, Dallas, Texas	195,769	81%
National Peer Group	100,000 – 300,000	79%
First State Bank, Mesquite, Texas	179,817	78%
Gateway National Bank, Dallas, Texas	235,909	69%

Lending in Assessment Area

Our review of GNB's lending patterns revealed the bank meets the standards for satisfactory performance. Fifty-eight percent of the number and 46% of the total dollar volume of loans we sampled were originated within the bank's assessment area

Lending in portions of Collin, Dallas, and Denton Counties										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Commercial	11	55	9	45	20	2,391	34	4,736	66	7,127
SBA	12	60	8	40	20	2,666	68	1,269	32	3,935
Totals	23	58	17	42	40	5,057	46	6,005	54	11,062

Geographic Distribution of Loans

GNB has a reasonable dispersion of loans in its assessment areas (AA). The number of business loans made in low-income census tracts is good. The commercial loan penetration in moderate-income census tracts is excellent when compared to the percentage of businesses in the assessment area, as shown in the following table:

Geographic Distribution of Loans to Businesses/Farms in portions of Collin, Dallas, and Denton Counties								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	3.5	2.5	19.5	20.0	32.8	30.0	42.4	47.5

Combined sample of 20 commercial loans totaling \$3.9 million and 20 SBA loans totaling \$4.3 million. As mentioned earlier in this report, four census tracts or 1.8% are classified as "NA."

Responses to Complaints

GNB did not receive any CRA related complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.