



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 11, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

North Texas Bank, National Association
Charter Number 24519

661 W. Thompson Street
Decatur, TX 76234

Office of the Comptroller of the Currency
Dallas Field Office
225 E. John Carpenter Freeway, Suite 500
Irving, TX 75062-2326

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

North Texas Bank, National Association, Decatur, Texas (NTB) has a satisfactory record of meeting the community credit needs. The major factors supporting this rating are:

- The substantial majority of NTB's loans are located within its assessment areas (AAs).
- The average loan-to-deposit (LTD) ratio at 68 percent is reasonable given the bank's size, financial condition, and AAs credit needs.
- The distribution of loans reflects reasonable penetration among borrowers of various income levels and businesses of different sizes.
- The geographic distribution of commercial and consumer loans reflects excellent dispersion throughout the AAs.
- NTB has not received any Community Reinvestment Act (CRA) related complaints during the evaluation period.

SCOPE OF EXAMINATION

An onsite examination of NTB was performed to assess its performance under the CRA small bank performance criteria. Loan information used for this evaluation included commercial and commercial real estate (CRE) loans. Additionally, NTB Home Mortgage Disclosure Act (HMDA) data was used to evaluate lending performance. The bank was rated **Satisfactory** at the previous examination. This performance evaluation starts from the date of the bank's previous CRA examination covering the period from April 26, 2007 to February 11, 2013. We contacted a local community agency with knowledge of the overall needs within NTB's AAs, and used in the evaluation process.

The loan and HMDA data information used for the performance evaluation covered the period of January 1, 2009 through December 31, 2011. Due to recent United States Census Bureau changes to census data, our evaluation did not cover 2012 information. The 2012 information must be compared to 2010 census data, and cannot be combined with prior year information that is based on 2000 census data. Although the 2012 information was not evaluated as part of NTB's performance, we determined the information did not reflect significant changes in loan volume and location.

DESCRIPTION OF INSTITUTION

North Texas Bank (NTB) was chartered in 2004 and is 100 percent owned by Chisholm Bancshares whose sole subsidiary is NTB. As of December 31, 2012, NTB's had total assets of \$139 million and loans of \$85 million.

The bank operates in Texas, with a main office in Decatur, which is 38 miles northwest of Fort Worth. Additionally, NTB has a branch office in Roanoke, Texas. The NTB branch office in Colleyville, Texas was closed in June 2011. The bank offers automated teller machine (ATM) services at the main location and branch offices.

NTB's primary lending focus is one-to-four family residential real estate, CRE, and small and midsize businesses. The loan portfolio represents 68 percent of total assets. The loan portfolio composition is as follows:

Loan Portfolio Composition as of December 31, 2012		
Loan Category	Dollar Volume (000's)	Percentage of Dollars
Commercial Real Estate (CRE)	22,587	27
Commercial & Industrial (C&I)	20,029	24
1-4 Family Residential Real Estate	22,971	27
Construction	9,805	11
Other – Ag, Consumer	9,218	11
Total	84,610	100%

Source: Call Report.

NTB offers convenient banking hours and a variety of loan and deposit products to meet the needs of the AAs. There are no financial impediments that would limit NTB's ability to help meet the credit needs in its AAs.

Wise County has no low-income census tracts (CTs) and only two moderate-income CTs. The Colleyville branch office was located in northeast Tarrant County which is comprised of 66 upper- and middle-income CTs, three moderate-income CTs and no low-income CTs. Given the distance to the low-income CTs and the bulk of the moderate-income CTs in Tarrant County and the modest level of staffing at the Colleyville location, NTB could not reasonably be expected to administer loans made in these geographic areas.

The bank meets customer needs by providing traditional loan and deposit products in Wise, Tarrant and Denton Counties. Local competition consists of state and national chartered financial institutions.

NTB has no legal or financial circumstances that could impede its ability to meet the credit needs in its AAs. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF ASSESSMENT AREAS

NTB has two AAs with one consisting of Wise and Tarrant Counties and the other Denton County. During the majority of the loan sampling period, the bank had a branch office in Colleyville (Tarrant County). NTB added a second branch in Roanoke (Denton

County) in January 2010. Wise and Tarrant Counties are part of the Fort Worth-Arlington MSA and Denton County is included in the Dallas-Plano-Irving MSA. NTB closed the Colleyville branch in June 2011.

Wise-Tarrant County Assessment Area

Wise County has 11 census tracts (CTs). Two are moderate-income and nine middle-income CTs. Tarrant County has 310 CTs consisting of 93 upper-income, 108 middle-income, 85 moderate-income, and 24 low-income. The AA meets the regulatory guidelines, and does not arbitrarily exclude any LMI areas.

Wise County has a population of 59,000 with 6,000 people residing in Decatur, the county seat. According to the June 30, 2012 FDIC Market Share Report for Wise County, there are ten financial institutions with 21 offices and total deposits of \$853 million. NTB ranks fifth and holds 12 percent of the market share in deposits. For the city of Decatur, NTB ranks first of six financial institutions with 33 percent of the deposit market share.

The economy in Wise County is reasonably diversified. In addition to cattle and agriculture, major employers include the Wise Regional Health System, Decatur Independent School District, Wal-Mart, Lowes, car dealerships, Poco Graphite, and several industrial companies.

Tarrant County is an urban county located in the north central part of Texas. Fort Worth serves as the county seat to a county population over 1.8 million people. According to the June 30, 2012 FDIC Market Share Report for Tarrant County, there are 63 financial institutions with 446 offices and total deposits of \$28 billion. As NTB closed its Colleyville branch on June 3, 2011, it is not included in the FDIC Market Share Reports for 2011 or 2012.

Tarrant County is one of the fastest growing areas in the U.S. Tarrant County is home to a diverse spectrum of businesses ranging from cattle and agriculture to aerospace companies and defense contractors.

The following tables show the demographic and economic characteristics of the AA:

Wise and Tarrant Counties Unemployment				
	2011	2010	2009	2008
United States	9.0	9.6	9.3	5.8
Texas	7.9	8.2	7.5	4.9
Wise County	7.3	8.1	8.6	4.4
Tarrant County	7.8	8.2	7.6	4.9

Source: FDIC Economic Database.

Demographic Data for the Wise-Tarrant County AA					
	Total	Low	Moderate	Middle	Upper
Census Tracts	321	24	87	117	93
Businesses by Geography	219,814	6,180	42,982	80,023	90,629
Farms by Geography	3,986	71	674	1,733	1,508
Total Population	1,495,012	87,232	392,612	552,994	462,174
Owner Occupied Housing Units	100%	3.69%	19.64%	38.40%	38.27%
Households by Income	551,199	28,742	135,482	220,242	166,733
Families by Income	385,035	75,455	70,967	82,812	155,801
Census MSA MFI	\$57,589	Median Housing Value		\$100,923	
HUD – Adjusted MFI: 2011	\$68,200	Unemployment		3.14%	
HUD – Adjusted MFI: 2010	\$67,300	# of Retired Households		67,692	
HUD – Adjusted MFI: 2009	\$65,900	# of SS Households		97,729	

Source: 2000 US Census.

We interviewed the Executive Director of the Decatur Economic Development Corporation to assess the credit needs of the community. This non-profit corporation has a mission to achieve sustained, balanced economic growth for the City of Decatur that will enhance the quality of life and provide greater access to desirable goods and services. The primary credit need for the AA, in the contact's opinion, is small business lending. Opportunities exist to finance startup and existing businesses in Decatur and throughout Wise County either through direct lending or subsidized/guaranteed financing such as the SBA loan programs. Our contact indicated that NTB and other area financial institutions strive to meet the credit needs of the community.

Denton County Assessment Area

Denton County has 56 CTs consisting of two low-income, six moderate-income, 26 middle-income, and 22 upper-income. The AA meets the regulatory guidelines, and does not arbitrarily exclude any LMI areas.

Denton County has a population of 663,000 with 8,000 people residing in Roanoke. It is in the northern part of the Dallas-Fort Worth metroplex and approximately 35 miles south of the Texas-Oklahoma border. According to the June 30, 2012 FDIC Market Share Report for Denton County, there are 39 financial institutions with 150 offices and total deposits of \$7 billion. NTB ranks 34th and holds 0.24 percent of the market share in deposits.

In addition to agriculture and cattle, major employers in Denton County span several industries including universities (University of North Texas and Texas Woman's University), schools (Lewisville, Denton, Northwest and Little Elm Independent School Districts), retail (Wal-Mart and Target), medical (Presbyterian Hospital of Denton, Denton Regional Medical Center and Medical Center of Lewisville), manufacturing (Frito-Lay and Peterbilt Motors), transportation/warehousing (American Airlines Alliance), and government (Denton County and City of Denton).

The following tables show the demographic and economic characteristics of the AA:

Denton County Unemployment				
	2011	2010	2009	2008
United States	9.0	9.6	9.3	5.8
Texas	7.9	8.2	7.5	4.9
Denton County	7.0	7.3	7.0	4.5

Source: FDIC Economic Database.

Demographic Data for the Denton County AA					
	Total	Low	Moderate	Middle	Upper
Census Tracts	56	2	6	26	22
Businesses by Geography	73,595	853	3,312	28,820	40,610
Farms by Geography	1,700	7	36	992	665
Total Population	432,976	7,503	27,102	186,643	211,728
Owner Occupied Housing Units	100%	0.23%	1.94%	40.17%	57.66%
Households by Income	159,062	3,114	10,119	71,709	74,120
Families by Income	112,211	13,633	16,546	24,267	57,765
Census MSA MFI	\$71,181	Median Housing Value		\$127,303	
HUD – Adjusted MFI: 2011	\$69,600	Unemployment		2.90%	
HUD – Adjusted MFI: 2010	\$68,900	# of Retired Households		13,537	
HUD – Adjusted MFI: 2009	\$68,700	# of SS Households		17,632	

Source: 2000 US Census.

We discussed the credit needs of the community with the Assistant City Manager of Trophy Club, Texas. Trophy Club was a previously unincorporated part of Roanoke. The community contact states there are no LMI neighborhoods within the City of Trophy Club. This is also true of Roanoke. The community contact believes that local financial institutions are meeting the credit and banking needs of local residents and businesses through the availability of loans and branches/ATMs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

NTB's performance under the Lending Test is "**Satisfactory.**" In our analysis, we included all one-to-four family residential real estate loans originating since 2009 that are reported under the requirements of the HMDA. Additionally, we evaluated 30 commercial loans and 22 commercial real estate loans originated during our evaluation period.

Loan-to-Deposit Ratio (LTD)

NTB's LTD ratio of 68 percent is reasonable given the bank's size, financial condition, locations, local competition, and the credit needs of the AAs. The LTD ratio was calculated using quarterly averages since the prior CRA evaluation as of April 2007.

The quarterly average LTD ratio for similarly situated bank is listed in the table on the below:

Loan-to-Deposit Ratios		
<i>Financial Institutions</i>	Total Assets \$ (000's) (As of 9/30/2012)	Average Loan-to- Deposit Ratio
North Texas Bank, National Association	134,147	68.23%
Legend Bank, National Association	577,367	66.61%
First Financial Bank, National Association	333,161	70.10%
State National Bank of Texas	208,791	51.41%
The Community Bank	62,804	53.28%
First State Bank	227,564	75.53%
Woodhaven National Bank	410,728	85.28%

Source: Institution Reports of Condition from June 30, 2007 to September 30, 2012.

Lending in Assessment Areas

A substantial majority of the number and dollar amount of NTB's loans were originated inside its AAs. Lending within the AAs is detailed in the following table:

Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
1-4 Family	234	70.91	96	29.09	330	23,453	76.32	7,276	23.68	30,729
Commercial	91	91.92	8	8.08	99	14,301	84.15	2,693	15.85	16,994
Comm. RE	41	93.18	3	6.82	44	16,883	97.48	437	2.52	17,320
Totals	366	77.38	107	22.62	473	54,637	84.00	10,406	16.00	65,043

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

Based on the demographics of the AAs, NTB's distribution of loans reflects reasonable penetration among individuals of different income levels and small businesses. A sample of 40 commercial and CRE loans found that the bank made 34 loans, or 85 percent of their loans in the review period, to businesses with revenue less than \$1 million. This performance is excellent given that 67 percent of the businesses in the Wise-Tarrant AA had revenues less than \$1 million. In addition, from our sample of 40 loans, we found that 27 loans or 68 percent were made with a loan amount of less than \$250,000 and that NTB's median loan amount was \$93,000. The two tables on the next page provide additional information on NTB's commercial lending:

Borrower Distribution of Loans to Businesses in Wise-Tarrant Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67.09%	2.15%	30.76%	100%
% of Bank Loans in AA by #	85.00%	15.00%	0.00%	100%
% of Bank Loans in AA by \$	81.71%	18.29%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet data.

Borrower Distribution of Loans to Businesses by Loan Size in Wise-Tarrant Assessment Area				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	20	50.00	773	10.62
\$100,001 - \$250,000	7	17.50	1,275	17.51
\$250,001 - \$500,000	11	27.50	4,021	55.22
\$500,001 - \$1,000,000	2	5.00	1,212	16.65
Over \$1,000,000	0	0.00	0	0.00
Total	40	100.00	7,281	100.00

Source: Loan sample.

As detailed in the below table, the bank's 1-4 family real estate lending (HMDA reportable loans) to LMI borrowers was significantly less than the percentage of families in those income levels.

Borrower Distribution of Residential Real Estate Loans in Wise-Tarrant Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	19.60	0.57	18.43	5.14	21.51	4.00	40.46	18.86
Home Improvement	19.60	0.00	18.43	5.56	21.51	5.56	40.46	88.89
Refinance	19.60	0.00	18.43	7.14	21.51	25.00	40.46	53.57

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

Geographic Distribution of Loans

NTB's geographic distribution of loans to LMI CTs in the AA is excellent. During the review period, the bank originated 33 percent of its commercial and CRE loans in LMI CTs. This compares favorably to the percentage distribution of businesses within those CTs which was 22 percent.

Geographic Distribution of Loans to Businesses in Wise-Tarrant Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans
Businesses	2.81	2.50	19.55	30.00	36.40	45.00	41.23	22.50

Source: Loan sample; Dunn and Bradstreet data.

For the three year period (2009, 2010, and 2011), NTB originated 221 1-4 family real estate loans in the AA. Of these loans, 64 percent of the home purchase loans were to LMI CTs. This is excellent compared to the 23 percent of owner occupied housing in LMI CTs. The table below provides additional information:

Geographic Distribution of Residential Real Estate Loans in Wise-Tarrant Assessment Area								
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	3.69	1.71	19.64	62.29	38.40	28.57	38.27	7.43
Home Improvement	3.69	0.00	19.64	11.11	38.40	50.00	38.27	38.89
Refinance	3.69	0.00	19.64	14.29	38.40	64.29	38.27	21.43

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

Responses to Complaints

NTB has not received any complaints pertaining to its CRA performance during this evaluation period.

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.