



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 30, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Worthington National Bank
Charter Number 24343

200 West Main Street
Arlington, TX 76010

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 Outstanding.

The lending performance of Worthington National Bank, Arlington, Texas (WNB) reflects an outstanding response to the credit needs of its community. Factors that support the rating include:

- A substantial majority of WNB's loans were originated within the assessment area (AA). Eighty-five percent of the loans sampled originated within the AA.
- The loan-to-deposit (LTD) ratio exceeds the standards for satisfactory performance with an average ratio of 93.00 percent during the evaluation period.
- WNB's loan portfolio reflects a reasonable penetration among individuals of various income levels and commercial businesses of different sizes.
- The bank's has an excellent penetration in their geographic distribution of loans to low- and moderate-income census tracts.
- WNB performance in making qualified community development loans is excellent. Community development activities had a positive impact on the bank's overall CRA performance.

SCOPE OF EXAMINATION

WNB was evaluated using the small bank Community Reinvestment Act (CRA) examination procedures. Using the small bank examination procedures, we reviewed the bank's performance using the following criteria: the loan-to-deposit ratio, lending within the AA, lending to borrowers of different incomes, geographic distribution of loans, and responses to CRA-related consumer complaints. In addition, we reviewed the bank's performance in regard to meeting the AA's community development (CD) needs.

The scope of the CRA examination covered a period from October 31, 2005, the date of the prior Performance Evaluation (PE) to July 30, 2012, the date of the current evaluation. Commercial, commercial real estate, and residential real estate loans were identified as WNB's primary loan products. To evaluate lending performance, we reviewed a sample of 52 commercial and commercial real estate loans originated from January 1, 2009 to December 31, 2011. HMDA data, which was tested for accuracy, was also used to evaluate lending performance for the same time period. We did not identify any discrepancies regarding the bank's HMDA data.

We evaluated the bank's loan-to-deposit ratio using a comparison of other similarly situated financial institutions located within Tarrant County, Texas, which is the bank's AA.

DESCRIPTION OF INSTITUTION

WNB is a \$183 million community bank located in Arlington, Texas serving Tarrant County. The bank operates three offices with the main office being in Arlington, and two other offices in Colleyville and Fort Worth. All three offices offer a complete selection of loan and deposit products and have ATMs. In addition, the Arlington and Colleyville offices have drive-thru services.

The bank's chief business strategy is the origination of loans to small and midsize businesses. Primary lending products include commercial, commercial real estate, and 1-4 family real estate loans. The bank's 1-4 family real estate loans are typically accommodation loans to small business owners as these loans are limited to a five-year maturity with a 15-year to 30-year amortization. In addition, WNB keeps all of their loans in their loan portfolio.

As of December 31, 2011, total loans of \$131.4 million were 71.87 percent of total assets. The following table reflects WNB's loan portfolio summary:

Worthington National Bank Loan Portfolio Summary		
Loan Category	Dollar Volume (in thousands)	Percentage of Dollars
Commercial Real Estate (CRE)	57,559	43.80
Commercial & Industrial (C&I)	31,347	23.85
1-4 Family Residential Real Estate	19,750	15.03
Construction	10,193	7.76
Other – Ag, Multi-Family, Consumer	12,578	9.56
Total	131,427	100.00

Source: December 31, 2011 Call Report.

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

At the previous CRA examination on October 31, 2005, WNB received a CRA rating of "Satisfactory." The bank has no legal or financial circumstances that could impede its ability to meet the credit needs in its AA. 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 AREA

WNB has identified Tarrant County as its AA. Tarrant County has 310 census tracts with 93 Upper-Income census tracts, 108 Middle-Income census tracts, 85 Moderate-Income census tracts, and 24 Low-Income census tracts. The AA meets

the regulatory guidelines, and does not arbitrarily exclude any Low- or Moderate-Income areas.

Competition for financial services in Tarrant County is strong. According to the June 30, 2011 FDIC Market Share Report for Tarrant County, there are 66 financial institutions with 449 offices and total deposits of \$25.4 billion. WNB ranks 24th and holds 0.60 percent of the market share in deposits. In contrast, the FDIC Market Share Report noted that the top four banks in Tarrant County (JP Morgan Chase, Wells Fargo Bank, Bank of America, and Frost) held deposits of \$15.2 billion or 60.47 percent of the market.

We discussed the credit needs of the community in an interview with the Economic Development Director of the Fort Worth Housing and Economic Development Department. The community contact noted that local financial institutions have been cooperative and involved in the development of Fort Worth. However, the lending guidelines did become less flexible since the 2008 recession. But the community contact did not believe that the lack of lending flexibility in Fort Worth has been inconsistent with national lending trends.

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 of 1.8 million people. Growth in Tarrant County was greatest in the far north part of Fort Worth and in Mansfield. In addition, Tarrant County is one of the fastest growing areas across the country. Tarrant County is home to a diverse spectrum of businesses ranging from cattle and agriculture to aerospace companies and defense contractors. Other pertinent demographic data is captured in the following tables:

Tarrant 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
Tarrant County	7.8	8.2	7.6	4.9

Source: FDIC Economic Database.

Demographic Data for the Tarrant County AA					
	Total	Low	Moderate	Middle	Upper
Census Tracts	310	24	85	108	93
Businesses by Geography	213,087	6,180	41,339	74,939	90,629
Farms by Geography	3,657	71	644	1,434	1,508
Total Population	1,446,219	87,232	382,191	514,622	462,174
Owner Occupied Housing Units	100%	3.85%	19.76%	36.48%	39.91%
Households by Income	534,019	28,742	131,954	206,590	166,733
Families by Income	371,565	72,406	68,171	79,392	151,596
Census MSA MFI	\$53,268	Median Housing Value		\$101,614	
HUD – Adjusted MFI: 2011	\$68,200	Unemployment		3.15%	
HUD – Adjusted MFI: 2010	\$67,300	# of Retired Households		65,252	
HUD – Adjusted MFI: 2009	\$65,900	# of SS Households		93,552	

Source: 2000 US Census.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

WNB's performance under the Lending Test is "**Outstanding.**"

The bank's primary business lines are commercial (primarily to small businesses), commercial real estate, and residential real estate loans. In our analysis, we included all 1-4 family real estate loans originating since 2009 that are reported under the requirements of the HMDA, as well as 39 C&I loans and 14 CRE loans originated during our evaluation period. We gave equal weight to each type of lending product when evaluating the bank's lending performance.

Loan-to-Deposit Ratio

WNB's LTD ratio exceeds the standards for satisfactory performance given the bank's size, financial condition, local competition, and AA credit needs. This determination is based on the quarterly average LTD ratio from September 30, 2005 through March 31, 2012 of 93.00 percent. During the evaluation period, WNB's LTD ratio ranged from a low of 74.62 percent to a high of 110.90 percent. The average LTD ratio of similarly situated banks within the AA for the same period was 59.91 percent.

The quarterly average LTD ratio for each similarly situated bank in or contiguous to the AA is listed below. Please note that no ranking is intended or implied.

Loan-to-Deposit Ratios		
<i>Financial Institutions</i>	Total Assets \$ (000's) (As of 3/31/2012)	Average Loan-to- Deposit Ratio
Worthington National Bank	107,368	93.00%
Trinity Bank, N.A.	166,832	52.58%
Star Bank of Texas	124,388	71.79%
The National Bank of Texas at Fort Worth	149,104	47.78%
Meridian Bank, National Association	885,992	89.25%
First National Bank of Burleson	182,343	54.33%
Hbank Texas	113,058	57.19%
Texas Exchange Bank, SSB	112,954	46.45%

Source: Institution Reports of Condition from September 30, 2005 to March 2012.

Lending in Assessment Area

A substantial majority of the bank's loans are made within its AA. A majority of the number and dollar amount of the loans were originated inside the bank's AA. As depicted in Table 1 below, 84.68 percent of the number and 84.63 percent of the dollar amount of loans were originated inside the AA. The bank's primary loan product, commercial real estate loans, reflects higher originations inside the AA with

90.67 percent by number and 94.40 percent by dollar amount. The breakdown by loan category is illustrated in Table 1 (000's omitted):

Table 1 - Lending in Tarrant County AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
1-4 Family	209	82.61	44	17.39	253	27,033	66.75	13,464	33.25	40,497
Commercial	193	85.02	34	14.98	227	35,665	94.33	2,145	5.67	37,809
Comm. RE	68	90.67	7	9.33	75	34,470	94.40	2,043	5.60	36,513
Totals	470	84.68	85	15.32	555	97,168	84.63	17,520	15.26	114,819

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

Overall, WNB’s lending to borrowers of different incomes and to businesses of different sizes was reasonable. A sample of 52 commercial and commercial real estate loans found that the bank made 30 loans, or 57.69 percent of their loans in the review period, to businesses with revenue less than \$1.0 million. This performance is good given that 67 percent of the businesses in Tarrant County had revenues less than \$1.0 million. In addition, from our sample of 52 loans, we found that 36 loans or 69.23 percent were made with a loan amount of less than \$250 thousand and that the bank’s median loan amount was \$100 thousand. The following two tables provide additional information on WNB’s commercial lending:

Table 2A - Borrower Distribution of Loans to Businesses in Tarrant County, TX MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66.96	2.15	30.89	100.00
% of Bank Loans in AA by #	57.69	42.31	0	100.00
% of Bank Loans in AA by \$	47.29	52.71	0	100.00

Source: Loan sample; Dunn and Bradstreet data.

Table 2B - Borrower Distribution of Loans to Businesses by Loan Size in Tarrant County, TX MSA AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	27	51.92	1,291	9.97
\$100,001 - \$250,000	9	17.31	1,614	12.46
\$250,001 - \$500,000	6	11.54	1,970	15.21
\$500,001 - \$1,000,000	8	15.38	5,449	42.07
Over \$1,000,000	2	3.85	2,628	20.29
Total	52	100.00	12,952	100.00

Source: Loan sample.

As indicated in the following tables, the bank’s 1-4 family residential lending (HMDA reportable loans) to Low- and Moderate-income borrowers was weak. However, the bank generates most of their mortgage loans on an accommodation basis to commercial loan borrowers (small business owners). With the exception of just a few mortgage loans, all of the bank’s mortgage loans mature in five years. The following table provides additional information:

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.49	1.68	18.35	1.68	21.37	1.68	40.80	35.29
Home Improvement	19.49	0.00	18.35	0.00	21.37	9.09	40.80	68.18
Refinance	19.49	0.00	18.35	0.00	21.37	41.69	40.80	58.31

Source: Data reported under HMDA; U.S. Census data. Income is not available for 59.66% of Home Purchase; 22.73% of Home Improvement; and 33.33% of Refinance loans.

Geographic Distribution of Loans

WNB’s geographic distribution of loans to Low- and Moderate-income census tracts in the AA is outstanding. During the review period, the bank originated 46.16 percent of their commercial loans and commercial real estate loans in Low- and Moderate-income census tracts versus 21.49 percent.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Businesses	2.09	11.54	19.40	34.62	35.17	15.38	42.53	38.46

Source: Loan sample, Dunn & Bradstreet data.

For the three year period (2009, 2010, and 2011), WNB originated 153 1-4 family residential loans. Of these loans, 34.45 percent of the home purchase loans were to Low- and Moderate-Income census tracts. This is excellent when compared to the percentage of owner occupied housing in Low- and Moderate-Income census tracts is 23.61 percent. Table 3B below provides additional information:

Table 3B - Geographic Distribution of Residential Real Estate Loans in Tarrant County MSA AA								
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	3.85	5.88	19.76	28.57	36.48	38.66	30.81	26.89
Home Improvement	3.85	9.09	19.76	22.73	36.48	68.18	30.81	0.00
Refinance	3.85	0.00	19.76	16.67	36.48	50.00	30.81	33.33

Qualified Investments and CD Services

WNB has an excellent performance with regard to qualified CD loans in their AA. The bank originated six CD loans totaling \$3.7 million which was 18.44 percent of the bank's total capital (as of December 31, 2011). CD investments were adequate at \$29,700 involving 20 different entities. That is reasonable considering the bank's Net Income in the past three years has been volatile.

CD services were good considering the bank's size and locale in the Tarrant County AA. The distribution of the bank's branches and service delivery systems are excellent and accessible to individuals of different income levels. The bank has three full service branch locations that have ATMs. In addition, branch hours are convenient to individuals and the bank offers 24 hour banking services. The bank did not close any branches in our review period. Since the October 31, 2005 CRA examination, WNB opened two offices. The Fort Worth office was opened in November 2005 and the Colleyville office opened in July 2008.

During our review period, the bank originated six loans for community development purposes. As of December 31, 2011, the \$3.7 million in CD loans represented 18.44 percent of the bank's total capital and 2.03 percent of the bank's total assets. These six loans enhanced the bank's overall CRA performance to help them in achieving a higher CRA rating. We would like to highlight two of the bank's CD loans:

- A \$700 thousand loan made to a limited liability company was originated on August 4, 2008 to purchase and renovate a strip center in a Moderate-Income census tract. This project qualified as a CD loan because the loan helped in revitalizing and stabilizing a Moderate-Income census tract. In addition, the company was selected by the City of Fort Worth to receive Economic Development Initiative (EDI) grants and tax incentives for this project.

- A \$1.8 million loan made to another limited liability company was originated May 2006. The purpose of the loan was to finance eight single family townhomes located in the Southside area of Fort Worth; the project is located in a Low-Income census tract. This loan qualifies as community development since it revitalizes and stabilizes a Low-Income census tract and this area was in decline. The project was part of Fort Worth's Tax Increment Financing which assists in bringing financial assistance to the project.

Responses to Complaints

WNB 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.