



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**April 20, 2004**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Preston National Bank  
Charter Number 20239**

**5644 LBJ Freeway  
Dallas, TX 75240**

**Comptroller of the Currency  
Dallas North  
17300 Dallas Parkway Suite 2020  
Dallas, TX 75248**

**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 major factors that support this rating include:

- The bank’s quarterly average loan-to-deposit ratio exceeds the standards for satisfactory performance given its size, financial condition, and assessment area (AA) credit needs.
- Based on our sample of loans, the bank originated a majority of their small business loans and consumer loans within its AA.
- The bank’s distribution of loans among borrowers of different income levels is good. The bank’s percentage of small business loans to businesses with revenues less than \$1 million exceeds the percentage of small businesses in the AA.
- The bank has not received any consumer complaints regarding CRA performance.

## DESCRIPTION OF INSTITUTION

Preston National Bank's (PNBs) only banking facility is located at the intersection of LBJ Freeway and Montford Road in north Dallas, Texas. The bank is 99 percent owned by one individual. At this time, the bank has no affiliates or operating subsidiaries that are active in CRA related activities. PNB offers extended lobby hours on Fridays, including a drive-up facility with extended weekdays and Saturday hours.

As of December 31, 2003, PNB had total assets of \$48 million, of which \$38.7 million, or 81 percent, were composed of various types of loans, primarily to small businesses, commercial businesses, and individuals. The bank serves the cities of Addison, Carrollton, Dallas, Farmers Branch, Plano, and Richardson, Texas. PNB offers a wide range of credit products to its community including commercial, mortgage, consumer, and construction loans. PNB's primary lending focus is small business and commercial lending. The bank's loan portfolio is segmented as follows:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	11,894	30.68
Commercial Loans	9,831	25.36
Residential Real Estate Loans	12,678	32.71
Consumer Loans	4,359	11.25
<b>Total</b>	<b>38,762</b>	<b>100.00</b>

PNB's primary competition stems from independent financial institutions in the Dallas metroplex. These competitors include the following; Inwood National Bank, North Dallas Bank & Trust, Town North Bank, N.A., and Gateway National Bank. In addition to these banks, management states that the larger multi-national branches provide added competition through retail and consumer lending.

PNB does not have any financial or legal obstacles affecting its ability to meet its community's credit needs. The bank was rated a "Satisfactory" in the previous CRA Public Evaluation disclosure dated November 1, 1999.

## DESCRIPTION OF PRESTON NATIONAL BANK ASSESSMENT AREA

PNB's AA is comprised of north Dallas with Highway 75 as the eastern boundary and I-35 as the western boundary. The AA includes the cities of Addison, Carrollton, Dallas, Farmers Branch, Plano and Richardson, Texas, within the Dallas MSA. The AA meets regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas. The following table reflects the demographics of the AA.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	187,781
Number of Households	309,489
<i>Geographies</i>	
Number of Census Tracts/BNA	167
% Low-Income Census Tracts/BNA	4.19%
% Moderate-Income Census Tracts/BNA	15.57%
% Middle-Income Census Tracts/BNA	20.96%
% Upper-Income Census Tracts/BNA	56.89%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	55,234
2002 HUD-Adjusted MFI	38,754
2002 HUD-Adjusted MFI	66,500
<i>Economic Indicators</i>	
Unemployment Rate	6%
2002 Median Housing Value	128,824
% of Households Below Poverty Level	6%

The AA consists of 167 census tracts (CTs). Based on 1990 census data, the United States Census Bureau indicates that 7 CTs (4 percent) are low-income, 26 CTs (16 percent) are moderate-income, 35 CTs (21 percent) are middle-income, 95 CTs (57 percent) are upper-income, and 4 CTs (2 percent) are categorized as not applicable.

The total population of the AA is 738,154 consisting of 187,781 families and 309,489 households. Of the 187,781 families, 12.71 percent, 13.52 percent, 18.29 percent and 55.48 percent report low, moderate, middle, and upper-incomes, respectively. The area contained 343,136 housing units with 148,718 or 43.34 percent owner occupied. Households below the poverty level and households that receive public assistance are relatively low at 6 percent and 2 percent, respectively.

Unemployment at 6 percent is comparable to national averages. The largest industries in the AA are retail trade and services. The largest employers in the north Dallas area are Frito Lay, J.C. Penney, and Texas Instruments. The local economic conditions are relatively stable. While leading economic indices have been slow to improve, renewed growth and job gains are predicted and 2004 should be the best year for the Dallas area since 2000. Underlying the

expected economic improvements are gradual increases in consumer spending and business confidence, a weakened U.S. dollar to spur Texas exports, and the stimulative nature of the nation's fiscal and monetary policy. These improvements should gradually translate into more jobs.

We determined the credit needs of the community through discussions with PNB management. Management indicated that the primary credit needs are small business and commercial loans.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation (PE) assesses the bank's performance focusing primarily on five performance criteria: the loan-to-deposit ratio, lending in the AA, lending to borrowers of different income levels and to businesses of different sizes, geographic distribution of loans, and responses to complaints.

In evaluating the bank's lending performance, a random sample of 24 businesses loans and 27 consumer loans originating in 2002 were reviewed. Because small business lending is the primary lending focus of the bank, small business lending performance was weighed more heavily in assessing performance than consumer loans.

Consistent with available resources and capabilities, the bank is meeting the credit needs of the entire AA in a satisfactory manner.

### Loan-to-Deposit Ratio

PNB's lending activity within their AA is excellent and exceeds the standards for satisfactory performance. We compared PNB's quarterly loan-to-deposit ratio to other banks that management identified as their primary competitors. The quarterly average was derived using the time period from December 31, 2000 through December 31, 2003. As illustrated in the table below, PNB's average loan-to-deposit ratio is significantly higher than their local competitors.

<b>Institution</b>	<b>Assets (as of 12/31/03)</b>	<b>Average LTD Ratio</b>
Inwood National Bank	863,906	85.34%
North Dallas Bank & Trust	838,016	39.08%
Town North Bank	458,152	74.47%
Gateway Bank	192,727	70.79%
<b><i>Preston National Bank</i></b>	<b><i>48,134</i></b>	<b><i>97.90%</i></b>

## Lending in Assessment Area

PNB's lending in the AA is good and meets the standards for satisfactory performance. A majority of the small business and consumer loans sampled were originated within the bank's AA, as illustrated in the table below.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Small Business	20	83.3	4,799	75.9	4	16.7	1,522	24.1
Consumer	23	85.2	2,522	92.7	4	14.8	200	7.3
Total Reviewed	43	84.3	7,321	80.9	8	15.7	1,722	19.1

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

PNB's overall distribution of loans by income level is reasonable and meets the standards for satisfactory performance. Since small business lending is the bank's primarily loan type, more weight was placed on small business performance than consumer lending performance.

The bank's distribution of small business loans is good. Based on our sample of loans, PNB originated 83 percent of the number and 76 percent of the dollar volume of small business loans to businesses with revenues of less than \$1 million. The bank's performance exceeds the percentage of small businesses in the AA reporting revenues of less than \$1 million, as illustrated in the table below.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses <sup>3</sup>	61.8	8.1
% of Bank Loans in AA #	83.3	16.7
% of Bank Loans in AA \$	75.9	24.1

Note: Businesses not reporting income was 30.1 percent.

The bank's overall distribution of consumer loans by income levels is adequate. The percentage of the number and dollar amount of loans to low-income borrowers is less than the percentage of low-income households in the AA. The percentage of the number of loans to moderate-income borrowers exceeds the percentage of moderate-income households in moderate-income tracts. The dollar amount percentage of loans to moderate-income borrowers is slightly less than the percentage of households in moderate-income tracts. Consumer lending is not a major focus for the bank. Consumer loans are typically relationship loans to existing commercial customers with higher incomes.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households <sup>2</sup>	15.7		16.0		18.8		49.5	
	% of Number	% of Amount						
	4.4	1.2	30.4	11.3	21.7	12.0	43.5	75.5

### Geographic Distribution of Loans

The bank's overall distribution of loans by geography is good and meets the standards of satisfactory performance. The distribution of small business loans to low- and moderate-income geographies exceeds the percentage of low- and moderate-income households in those geographies.

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses <sup>6</sup>	1.8		23.6		21.4		53.2	
	% of Number	% of Amount						
	5.00	2.96	25.00	47.44	20.00	14.01	50.00	35.59

The distribution of consumer loans by geography is good. The distribution of consumer loans to low- and moderate borrowers is near to or exceeds the percentage of households in those geographies.

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households <sup>5</sup>	3.4		18.0		24.3		54.3	
	% of Number	% of Amount						
	4.4	3.3	21.7	14.8	30.4	32.7	43.5	49.2

### **Responses to Complaints**

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

### **Fair Lending or Other Illegal Credit Practices Review**

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