



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 9, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

State National Bank of Texas
Charter Number 13614

104 West Park Street
Iowa Park, TX 76367

Office of the Comptroller of the Currency

Dallas Field Office
225 John Carpenter Freeway, Suite 500
Irving, Texas 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.

Factors supporting the institution's rating include:

- The bank meets the standard for satisfactory performance given its size, financial condition, and assessment area credit needs.
- The loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of the primary loan products, originated during the review period, are to borrowers within the assessment areas.
- The distribution of home loans reflects reasonable penetration among borrowers of different income levels, including loans to borrowers of low- and moderate-incomes.
- There were no Community Reinvestment Act (CRA) complaints filed during this rating period.
- There is no evidence of illegal discrimination.

SCOPE OF EXAMINATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of The State National Bank of Texas (SNB) prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of January 9, 2012. The rating covered the period between July 5, 2006, and January 9, 2012. The agency rates CRA performance of an institution consistent with the provisions set forth in 12 C.F.R. § 25 Appendix A.

SNB's primary loan products are residential real estate, commercial loans, and agricultural loans. SNB is required to report data in accordance with the requirements of the Home Mortgage Disclosure Act (HMDA). HMDA data was tested and found to be reliable. The HMDA data for 2009 to 2011 is used to evaluate residential real estate performance in this evaluation. To evaluate commercial loans and agriculture loans, we selected a sample of 40 loans originated between January 1, 2009, and December 31, 2011.

In evaluating the loan-to-deposit ratio, we used a comparison of five similarly situated banks over the prior 21 quarters. These banks were selected for analysis based on their proximity and similar size to SNB.

DESCRIPTION OF INSTITUTION

State National Bank (SNB) is headquartered in Iowa Park, Texas. As of September 30, 2011, SNB had total assets of \$206 million. SNB is wholly owned by its holding company, North Central Texas Bancshares, Inc. SNB is the holding company's only subsidiary. The holding company's is locally owned. Aside from the main bank, eight branches exist throughout Wichita, Archer, and Wilbarger Counties. Additionally, SNB opened a loan production office (LPO) in Decatur, TX, a city in Wise County, in July 2011. The Decatur LPO was not included in our analysis due to little to no production during our review period. An automated teller machine is located at every branch location except for the Decatur LPO. In addition, SNB has three remote automated teller machines located in Iowa Park, Lakeside City, and Wichita Falls. SNB has traditionally followed a conservative growth strategy. Three branches were opened and none closed during the evaluation period. SNB offers a full range of deposit and loan products and services commensurate with its size and having a focus on residential and commercial lending. SNB's primary competition consists of state banks and branches of large national banks, which operate within the bank's assessment area (AA).

As of September 30, 2011, net loans represent 49 percent of total assets. A summary of the loan portfolio is as follows:

Loan Portfolio Summary by Loan Product September 30, 2011		
Loan Category	Dollar Volume \$(000)	% of Total Loans
Residential Real Estate	37,701	38.6
Commercial and Industrial Loans	29,156	29.9
Farm and Agriculture	19,776	20.2
Consumer	10,964	11.2
Other	49	0.1
Total	97,646	100.0

Source: September 30, 2011, Consolidated Report of Condition

At the prior CRA examination dated July 5, 2006, a satisfactory rating was assigned. There are no legal or financial factors impeding the bank's ability to help meet the credit needs of the AA.

DESCRIPTION OF ASSESSMENT AREA(S)

SNB has one contiguous AA made up of the Wichita Archer Metropolitan Statistical Area (MSA) and Wilbarger County which is a Non-MSA. For our analysis of Lending to Borrowers of Different Incomes and Geographic Distribution of Loans, we will separate out the performance of the MSA and the Non-MSA. Below are the descriptions of both the Wichita Archer MSA and the Wilbarger County Non-MSA.

Wichita Archer MSA

The Wichita Archer MSA consists of Archer and Wichita Counties, which includes the cities of Iowa Park, Wichita Falls, Electra, Archer City, Holliday, Burkburnett, Pleasant Valley, Lakeside City, Megargel, Scotland, and Windthorst. There are a total of 39 census tracts in the MSA. The Wichita Archer MSA meets the requirements of the regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas.

There is one low- and 13 moderate-income census tracts in the MSA. There are 15 middle- and ten upper-income census tracts. Based on 2000 census data, the total population for the Wichita Archer MSA is 140,518 with 51,782 households. The economy of the area remains stable. The largest employers are Sheppard Air Force Base, Wichita Falls Independent School District, North Texas State Hospital, United Regional Health Care Systems, and the City of Wichita Falls. Midwestern State University and Wal-Mart also have a big impact on the local economy.

Based upon 2011 U.S. Housing Urban Development (HUD) updated Median Family Income (MFI), the weighted average income for the MSA is \$53,200. A community contact was made with a local municipality and we were told that there are still low-income housing needs for the community. Many area developers have asked local banks to participate in developmental projects that would help low- to moderate-income areas. The City of Wichita Falls currently has approximately 500 people on a wait list for Section 8 housing.

The following is a summary of some demographic information for this AA:

Demographic Information for the Wichita Archer MSA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	39	2.6%	33.3%	38.5%	25.6%
Population by Geography	140,518	1.8%	25.3%	44.1%	28.8%
Owner-Occupied Housing by Geography	32,908	1.7%	18.5%	45.9%	33.9%
Businesses by Geography	13,225	0.8%	27.6%	33.4%	38.2%
Farms by Geography	537	15.5%	40.2%	44.3%	n/a
Family Distribution by Income Level	35,615	18.3%	19.1%	23.8%	38.8%
Household Distribution by Income Level	51,782	21.8%	16.8%	20.6%	40.8%
Census Median Family Income (MFI)		\$41,420	Median Housing Value		\$64,031
HUD - Adjusted MFI: 2011		\$53,200	Families Below the Poverty Level		10.0%
HUD - Adjusted MFI: 2010		\$53,200	Unemployment Rate		3.2%
HUD - Adjusted MFI: 2009		\$52,800			

Wilbarger County Non-MSA

The Wilbarger County Non-MSA is comprised of four whole census tracts. Wilbarger County is located in northwest Texas and is adjacent to the Wichita Archer MSA. The County includes the cities of Chillicothe, Harrold, Odell, Oklaunion, and Vernon. The only branch in this county resides in Vernon. Vernon is approximately 50 miles from Wichita Falls. The Wilbarger County Non-MSA meets the requirements of the CRA and does not arbitrarily exclude low- or moderate-income areas.

There are no low- or moderate-income census tracts in Wilbarger County. There are two middle- and two upper-income census tracts. Based on 2000 census data, the total population for the Wilbarger County is 14,676 with approximately 5,500 households. The local economy is stable. The primary employers in Wilbarger County are Tyson, North Texas State Hospital, Rhodea Manufacturing Plant, and Vernon Independent School District.

Based upon 2011 U.S. HUD updated MFI, the weighted average income for the county is \$45,600. A community contact was made with a local municipality and we were told that there are lending needs for affordable housing, short term loans, auto loans, and small business loans. The community contact also mentioned that people have complained that it's been hard to get start up loans for businesses, especially for exterior improvements.

The following is a summary of some demographic information for this AA:

Demographic Information for the Wilbarger County Non-MSA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	4	n/a	n/a	50.0%	50.0%
Population by Geography	14,676	n/a	n/a	43.2%	56.8%
Owner-Occupied Housing by Geography	6,371	n/a	n/a	34.9%	65.1%
Businesses by Geography	1,528	n/a	n/a	47.1%	52.9%
Farms by Geography	128	n/a	n/a	19.5%	80.5%
Family Distribution by Income Level	3,820	16.2%	19.3%	22.3%	42.2%
Household Distribution by Income Level	5,544	23.7%	17.0%	19.4%	39.9%
Census Median Family Income (MFI)		\$36,380	Median Housing Value		\$45,500
HUD - Adjusted MFI: 2011		\$45,600	Families Below the Poverty Level		9.0%
HUD - Adjusted MFI: 2010		\$45,600	Unemployment Rate		2.2%
HUD - Adjusted MFI: 2009		\$45,600			

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

SNB's performance in the five lending test performance criteria is satisfactory. **The Average Loan to Deposit Ratio** is comparable with similarly-situated banks. The assessment of **Lending within the Assessment Areas** showed a substantial majority

of primary loan products originated during the review period in the AA. The distribution of loans to **Borrowers of Different Income Levels and Businesses of Different Sizes** reflects reasonable penetration among income brackets including low- and moderate-income and small businesses. The **Geographic Distribution of Loans** reflects a reasonable dispersion throughout the MSA and Non-MSA. There were no CRA-related complaints to evaluate in our assessment of the **Response to Complaints**.

All criteria of the performance context are documented below:

Loan-to-Deposit (LTD) Ratio

Given the size, financial condition, and AA credit needs, the LTD meets the standard for satisfactory performance. The twenty one quarter average LTD ratio is 52 percent compared to the 71 percent average for local competitors and the national peer group. The LTD is comparatively low to the bank’s peers, but that can be explained by a significant portion of their operations being located in rural areas outside of Wichita Falls where the credit demand is lower. The LTD ratio is reasonable relative to the size, competition, local economy, lending activities, and demographics of the AA.

The institutions’ size and average LTD ratio are detailed in the following table:

Financial Institution	Total Assets As of 09/30/2011 \$(000)	Average LTD Ratio*
State National Bank of Texas	206,395	52%
First National Bank, Wichita Falls, TX	295,959	86%
First Bank Burkburnett, TX	252,800	92%
The Waggoner National Bank of Vernon, TX	248,287	77%
Fidelity Bank, Wichita Falls, TX	231,763	79%
The First National Bank of Byers, TX	98,714	61%
Average LTD Ratio	-	71%

Lending in Assessment Area

SNB’s lending in its AA meets the standard for satisfactory performance. We reviewed a sample of 24 commercial loans and 22 agriculture loans originated from January 1, 2009, through December 31, 2011, and all residential real estate loans made during that same time period. Of the loans reviewed, 85 percent were within the bank’s AA, totaling \$28.5 million, and 79 percent of dollar volume. A majority of SNB’s lending remains inside the AA. The following table details the bank’s lending within the AA by number and dollar amount of loans.

Table 1 - Lending in Wichita, Archer, Wilbarger Co AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	189	82.17	41	17.83	230	\$14,055	70.60	\$5,854	29.40	\$19,909
Home Improvement	28	87.50	4	12.50	32	\$1,048	88.89	\$131	11.11	\$1,179
Refinance	96	85.71	16	14.29	112	\$6,676	82.00	\$1,465	18.00	\$8,141
Business	22	91.67	2	8.33	24	\$4,908	98.65	\$67	1.35	\$4,975
Agriculture	20	90.91	2	9.09	22	\$1,814	95.68	\$82	4.32	\$1,896
Totals	355	84.52	65	15.48	420	\$28,501	78.95	\$7,599	21.05	\$36,100

Source: Data reported under HMDA for 2009, 2010, 2011 and Loan Sample of Business and Agricultural Loans for the same period.

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

SNB's lending to borrowers of different incomes and businesses of different sizes meets the standard for satisfactory performance. The distribution of loans reflects a reasonable penetration in both the Wichita Archer MSA and the Wilbarger County Non-MSA.

Wichita Archer MSA

The distribution of loans in the Wichita Archer MSA is reasonable, and the lending to borrowers of different incomes and businesses of different sizes meets the standard for satisfactory performance. There is no significant disparity in lending to individuals of different income levels, or businesses of different sizes.

Home Loans

The distribution of home loans in Wichita Archer MSA reflects reasonable penetration among borrowers of different income levels. Minimal penetration exists among low-income borrowers, but excellent penetration exists for moderate-income borrowers for home purchase loans, home improvement loans, and home refinance loans. In reaching the conclusion of reasonable penetration, we considered the MSA's poverty rate of 10 percent.

The following table shows the distribution of home loan products among borrowers of different income levels:

Table 2 - Borrower Distribution of Residential Real Estate Loans in Wichita Archer MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	18.32	7.48	19.06	24.49	23.82	27.21	38.81	39.46
Home Improvement	18.32	10.00	19.06	30.00	23.82	10.00	38.81	45.00
Refinance	18.32	5.63	19.06	19.72	23.82	30.99	38.81	43.66

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

Business Loans

SNB’s lending to businesses of different sizes meets the standard for satisfactory performance. The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. We selected a sample of 20 business loans located within the MSA and originated between January 1, 2009, and December 31, 2011. Our sample concluded that 70 percent of the number of loans and 43 percent of the dollar amount of business loans originated during the sampling period were to small businesses. These levels are reasonable given the demographic data which shows 70 percent of the area’s businesses are small businesses. Small businesses are defined by the regulation as businesses with gross annual revenue of one million dollars or less. The following table shows the distribution of commercial loans among different sized businesses in the MSA:

Table 2A - Borrower Distribution of Loans to Businesses in Wichita Archer MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.06%	2.93%	27.00%	100%
% of Bank Loans in AA by #	70.00%	30.00%	0%	100%
% of Bank Loans in AA by \$	42.83%	57.17%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

Wilbarger County Non-MSA

The distribution of loans in the Wilbarger Non-MSA is reasonable, and the lending to borrowers of different incomes and businesses of different sizes meets the standard for satisfactory performance. There is no significant disparity in lending to individuals of different income levels, or businesses of different sizes.

Home Loans

SNB’s residential real-estate lending to moderate-income individuals is reasonable given the percentage of families within that category. Lending to low-income individuals is low as depicted in the table below. Participation in a USDA Rural Development Loan

Program is an important factor considered in this rating. Since these loans are sold to an approved USDA lender, they will not show-up in these numbers. Going forward, SNB will track loans sold to the USDA.

The following table shows the distribution of home loan products among borrowers of different income levels:

Table 3 - Borrower Distribution of Residential Real Estate Loans in Wilbarger Co								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	16.23	7.14	19.35	19.05	22.25	19.05	42.17	54.76
Home Improvement	16.23	0.00	19.35	12.50	22.25	25.00	42.17	62.50
Refinance	16.23	4.00	19.35	8.00	22.25	12.00	42.17	72.00

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

Agriculture Loans

SNB’s lending to farms in Wilbarger County meets the standard for satisfactory performance. We selected a random sample of 20 farm loans located within the Non-MSA that originated between January 1, 2009, and December 31, 2011. Our sample concluded that 100 percent of the number of loans and 100 percent of the dollar amount of loans to farms originated during the sampling period were made to small farms with gross annual revenues of one million dollars or less.

There were not enough business loans made in this county to pull a reasonable sample so we based our analysis on the next largest product type which was agriculture loans.

The following table shows the distribution of agriculture loans in Wilbarger County:

Table 3A - Borrower Distribution of Loans to Farms in Wilbarger Co				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.22%	0.00%	0.78%	100%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

Wichita Archer MSA

SNB’s geographic distribution of loans meets the standard for satisfactory performance. The distribution of loans reflects a reasonable dispersion throughout the Wichita Archer

MSA. There were no conspicuous lending gaps identified within the AA.

Home Loans

SNB meets the standard for satisfactory performance for lending to low- and moderate-income geographies in the MSA. Lending in low-income geographies is minimal, but justified based upon there being only one low-income census tract in the MSA. As a result, there are limited opportunities to lend to consumers and businesses within low-income geographies. There are a greater number of moderate-income geographies within the assessment area. SNB’s performance in these geographies is satisfactory. We reviewed all residential real estate loans originated since January 1, 2009.

The following table details performance as compared to the percentage of owner-occupied housing units in each census-tract income level:

Table 4 - Geographic Distribution of Residential Real Estate Loans in Wichita Archer MSA								
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	1.68	0.00	18.50	6.80	45.91	64.63	33.91	28.57
Home Improvement	1.68	0.00	18.50	20.00	45.91	50.00	33.91	30.00
Refinance	1.68	0.00	18.50	14.08	45.91	54.93	33.91	30.99

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

Business Loans

The bank has a strong performance of lending to businesses in moderate-income geographies. Similarly to what was mentioned above, there are limited opportunities to lend to consumers and businesses within low-income geographies due to there only being one low-income census tract in the MSA. We pulled a random sample of 20 Business Loans from January 1, 2009 through December 31, 2011. The table below shows satisfactory performance in the moderate-income geographies:

Table 4A - Geographic Distribution of Loans to Businesses in Wichita Archer MSA								
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
Businesses	0.80%	0	27.58%	20.00%	33.36	40.00%	38.25%	40.00%

Source: Loan sample; Dunn and Bradstreet data.

Performance in Wilbarger County Non-MSA

A meaningful analysis of the geographic distribution of loans in the Wilbarger County Non-MSA could not be performed since there are no low- or moderate-income census tracts. Wilbarger County Non-MSA meets the requirements of the CRA and does not arbitrarily exclude any low- or moderate-income areas.

Responses to Complaints

The SNB did not receive any CRA-related complaints 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.