



SMALL BANK

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

PUBLIC DISCLOSURE

February 21, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Fort Worth National Bank
Charter Number 23708**

**701 West Magnolia
Fort Worth, TX 76104**

**Comptroller of the Currency
Fort Worth
9003 Airport Freeway Suite 275
North Richland Hills, 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 this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of the Fort Worth National Bank, Fort Worth, TX, as prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 21, 2006. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Fort Worth National Bank has a satisfactory record of meeting the community credit needs of its assessment areas (AA). We based our conclusion on the bank's lending practices. The factors and data supporting this rating are as follows:

- The bank's average loan-to-deposit ratio of 104% exceeds the standards for satisfactory performance given the bank's size, financial condition, local competition, and assessment areas credit needs.
- A majority of loans, 65% in Tarrant County and 87% in Travis County in numbers, and 51% in Tarrant County and 85% in Travis County in dollar volume, are originated in the bank's two assessment areas.
- The distribution of loans to borrowers of different incomes reveals a reasonable penetration of loans to individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans demonstrates reasonable dispersion throughout the assessment areas.
- No consumer complaints regarding the bank's CRA performance were received during this evaluation period.

DESCRIPTION OF INSTITUTION

Fort Worth National Bank (FWNB) is a \$117 million community bank located in Fort Worth, Texas. The bank has two locations in Tarrant County and a loan production office (LPO) in Austin, TX. The main banking facility is located on Magnolia Street in a revitalizing section of Fort Worth known as the medical district. The bank has a branch located in Arlington, TX. The main bank and the branch each operate one on-site Automated Teller Machine (ATM). Both locations are part of the Fort Worth-Arlington, Texas Metropolitan Statistical Area. The LPO location is part of the Austin-Round Rock, Texas Metropolitan Statistical Area. According to the 2000 census data, the main bank is located in a moderate-income census tract while the branch is located in a middle-income census tract.

FWNB is a subsidiary of Fort Worth Bancorporation, Inc., which itself is a wholly owned corporation of Fort Worth Bancshares, Inc., a Texas corporation based in Fort Worth, Texas, with total assets of \$12 million as of December 31, 2005. The parent company does not own any other community banks. FWNB has no operating subsidiaries and has had no merger or acquisition activity during the evaluation period.

The bank's principal lending focus includes commercial and commercial real estate lending. FWNB offers customary deposit products for both individuals and businesses. In addition, the bank recently began offering Internet based banking services including account inquiries, intra-bank transfers, and bill payment services.

Total loans outstanding as of December 31, 2005, amount to \$101 million, which represents 88% of total assets. The following table details the composition of FWNB's loan portfolio as of December 31, 2005.

Loan Category	\$ (000)	%
Real Estate Loans	28,219	27.98
Interim Construction	27,253	27.03
Commercial Loans	18,083	17.94
Residential Real Estate	11,267	11.18
Land Development	8,373	8.30
Consumer Loans	7,629	7.57
Total	100,824	100.00%

Source: Bank; December 31, 2005 Report of Condition

Banking competition is aggressive in Tarrant County and includes dominant affiliates of large national banking companies, large regional financial institutions, and numerous small community banks. This is also true in Travis County where the bank's LPO is located.

There are no legal, financial, or other factors that impede the bank's ability to meet the credit needs of its assessment areas. The last CRA performance evaluation was performed on February 5, 2001, and the bank was rated "Satisfactory".

DESCRIPTION OF TARRANT COUNTY ASSESSMENT AREA

Fort Worth National Bank has designated Tarrant County as one of their two assessment areas (AAs). Tarrant County is an urban county located in the north central part of Texas. Tarrant County is comprised of 41 incorporated areas where the City of Fort Worth serves as the county seat to a population of approximately 1.4 million citizens. The bank's Tarrant County AA consists of 310 census tracts and includes 24 low-income tracts, 85 moderate-income tracts, 108 middle-income tracts, and 93 upper-income tracts. The AA meets the requirements of the CRA regulations and does not arbitrarily exclude low- or moderate-income areas. Specific demographic and economic data for this area are listed below.

Demographic and Economic Characteristics of Tarrant County Assessment Area	
<i>Population</i>	
Number of Families	371,565
Number of Households	534,019
<i>Geographies</i>	
Number of Census Tracts	310
% Low-Income Census Tracts	7.74%
% Moderate-Income Census Tracts	27.42%
% Middle-Income Census Tracts	34.52%
% Upper-Income Census Tracts	30.00%
Median Family Income (MFI)	
2000 MFI for AA	\$53,268
2005 HUD-Adjusted MFI	\$61,500
<i>Economic Indicators</i>	
Unemployment Rate	4.60%
2000 Median Housing Value	\$101,614
% of Households Below Poverty Level	10.00%

Source: 2000 Census data and HUD updated income data

Based on 2000 U. S. Census data, the AA area has a total population of 1.4 million. There are 565,830 housing units in the AA, of which 57% are owner-occupied, 37% are renter-occupied, and 7% are vacant. Approximately 19% of the families in the AA are considered low-income. Moderate-income families approximate 18% of the population, and middle- and upper-income families comprise 21% and 41% of the population, respectively.

Based on 2005 Dun and Bradstreet business demographic data, there are 111,887 businesses in the AA, of which 65% reported gross annual revenue less than or equal to \$1 million and 5%

reported gross annual revenue greater than \$1 million. Because reporting is voluntary, 30% or 33,906 businesses did not report revenues.

Economically, Tarrant County has changed dramatically over the years. At one time, the county was tied to the oil and gas industry and cattle ranches of west Texas and dependent on defense plants and its military base. Tarrant County’s economy has been transformed into one of the most robust and diverse in the nation. Major employers include Lockheed Martin Corporation, AMR Corporation, Fort Worth Independent School District, Arlington Independent School District, Texas Health Resources, D. R. Horton, City of Fort Worth, Bell Helicopter, and Tarrant County. All of these employers have more than 82,000 employees.

DESCRIPTION OF TRAVIS COUNTY ASSESSMENT AREA

Travis County is FWNB’s second assessment area. Travis County is located in the central part of Texas. Austin is the state capitol of Texas and the center for most state governmental agencies. The county has a population of approximately 812 thousand. The bank’s Travis County AA consists of 181 census tracts and includes 20 low-income tracts, 51 moderate-income tracts, 59 middle-income tracts, and 49 upper-income tracts. The AA meets the requirements of the CRA requirements and does not arbitrarily exclude low- or moderate-income areas. Specific demographic and economic data for this area are listed below.

Demographic and Economic Characteristics of Travis County Assessment Area	
<i>Population</i>	
Number of Families	185,807
Number of Households	320,883
<i>Geographies</i>	
Number of Census Tracts	181
% Low-Income Census Tracts	11.05%
% Moderate-Income Census Tracts	28.18%
% Middle-Income Census Tracts	32.60%
% Upper-Income Census Tracts	27.07%
Median Family Income (MFI)	
2000 MFI for AA	\$59,438
2005 HUD-Adjusted MFI	\$68,600
<i>Economic Indicators</i>	
Unemployment Rate	3.9%
2000 Median Housing Value	\$140,737
% of Households Below Poverty Level	11.00%

Source: 2000 Census data and HUD updated income data

Based on 2000 U. S. Census data, the AA area has a total population of 1.4 million. There are 335,881 housing units in the AA, of which 49% are owner-occupied, 46% are renter-occupied, and 5% are vacant. Approximately 22% of the families in the AA are considered low-income. Moderate-income families approximate 18% of the population, and middle- and upper-income families comprise 21% and 39% of the population, respectively.

Based on 2005 Dun and Bradstreet business demographic data, there are 71,614 businesses in the AA, of which 64% reported gross annual revenue less than or equal to \$1 million and 5% reported gross annual revenue greater than \$1 million. Because reporting is voluntary, 30% or 21,792 businesses did not report revenues.

Economically, Travis County is the center for state government, education, and in recent years, it has been diversifying its economic base further through the attraction of high-technology industries. Austin is the center for over 120 state agencies, and the local, state, and federal governments employ over 20% of the local labor force. Major new industrial developments have occurred in medical and pharmaceutical products, electronics, computer, and video equipment. Major employers include The University of Texas at Austin, City of Austin, Dell Computer Corporation, HEB Grocery Company, Applied Materials, IBM Corporation, Advanced Micro Devices, Wal-Mart Associates, Inc., and Daughters of Charity Health.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Fort Worth National Bank's performance under the CRA is satisfactory. Conclusions with respect to the following three performance criteria, Lending in the Assessment Area, Lending to Borrowers of Different Incomes and Businesses of Different Sizes, and Geographic Distribution of Loans, are based on a sampling of the institution's loan portfolio that originated within the AAs. Our review focused on consumer, commercial and real estate loans. Our sample included 30 commercial loans, 10 real estate loans, and 10 consumer loans totaling \$6.6 million.

Loan-to-Deposit Ratio

FWNB's loan-to-deposit (LTD) ratio exceeds the standards given the bank's size, financial condition, and assessment area credit needs. The bank's LTD ratio averaged 104% over the seventeen quarters beginning December 31, 2001 and concluding December 31, 2005. The bank identified several similarly situated competitors. Please note that these banks are listed alphabetically and that no ranking is intended or implied.

Institution	Total Assets (000's) As of 12/31/2005	Average LTD Ratio
Citizens National Bank	\$113,452	94.85%
First National Bank, Burleson	\$125,687	45.41%
Fort Worth National Bank	\$117,056	104.00%
The National Bank of Texas	\$90,231	56.81%
Woodhaven National Bank	\$221,031	79.89%
Worth National Bank	\$364,162	78.28%

Source: Data from Bank

Lending in Assessment Areas

A majority of the bank's loans were made within its AAs, which reflects a satisfactory commitment to meeting the credit needs of the AAs. The tables represent information provided by the bank on all loans originated since the last CRA exam in the Tarrant County AA. The table for Travis County reflects all loans made since the LPO opened in January of 2004. We tested the bank's information by reviewing a sample of commercial, residential real estate, and consumer loans.

Lending in Tarrant County Assessment Area (2/1/01-12/31/05)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Pur/Refi/Hi	191	50.40	188	49.60	379	16,430	58.70	11,562	41.30	27,992
Bus/Cons/RE	1,804	67.16	882	32.84	2,686	115,235	49.96	115,424	50.04	230,659
Totals	1,995	65.09	1,070	34.91	3,065	131,665	50.90	126,986	49.10	258,651

Source: Data reported by bank.

Lending in Travis County Assessment Area (1/6/04-12/31/05)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Pur/Refi/Hi	22	76	7	24.14	29	3,525	84.82	631	15.18	4,156
Bus/Cons/RE	178	88.56	23	11.44	201	38,260	84.67	6,929	15.33	45,189
Totals	200	86.96	30	13.04	230	41,785	84.68	7,560	15.32	49,345

Source: Data reported by bank.

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

Overall, performance for lending to borrowers of different incomes and businesses of different sizes is adequate and meets the standards for satisfactory performance. To perform our analysis, we reviewed income information for 30 commercial loans, 10 consumer loans, and 10 real estate loans. We placed more weight on the bank’s record of providing commercial loans, since those loans represent the largest percentage.

Commercial Loans

The bank’s lending to businesses of different sizes meets the standard for satisfactory performance. The bank emphasizes commercial lending and markets its products to all business sizes in the two AAs. The sample of 30 business loans reviewed found that 67% of the number and 39% of the dollar volume of loans were extended to businesses with gross revenues of less than \$1 million per year.

Consumer Loans

Consumer lending meets the standard for satisfactory performance. Based on 2000 U. S. Census information, in Tarrant County, 19% of the households in the AA are low-income. Approximately 18% of the households are moderate-income. Based on bank furnished data, the bank made 41% of its consumer loans to low- and moderate-income households. The distribution of consumer loans meets the income characteristic of the AA.

Borrower Distribution of Consumer Loans in Tarrant County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	19%	20%	18%	21%	21	19%	41%	40

Source: Bank data; U. S. Census data.

Based on 2000 U. S. Census information in Travis County, 22% of the households in the AA are low-income. Approximately 18% of the households are moderate-income. Based on data furnished by the bank, the bank made 34% of its consumer loans to low- and moderate-income households. The distribution of consumer loans meets the income characteristic of the AA.

Borrower Distribution of Consumer Loans in Travis County

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans	23%	0%	38%	34%	27%	1%	12%	65%

Source: Bank data; 2005 Dunn and Bradstreet data.

Geographic Distribution of Loans

A comparison of three primary loan types reveals that the geographic distribution of loans is adequate and meets the standards for satisfactory performance.

Commercial Loans

The bank's record of lending to businesses of various sizes reflects an adequate geographic dispersion throughout Tarrant County. The table is derived from bank data showing loans to businesses made since February 1, 2001. We also pulled a sample of 30 commercial loans in Tarrant County with 40% of those loans being in the low- to moderate-income census tracts compared to 30% of AA businesses in low- to moderate-income census tracts.

Geographic Distribution of Loans to Businesses in Tarrant County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
Commercial	4%	4%	26%	4%	36%	4%	34%	88%

Source: Data collected by bank; Dun and Bradstreet data.

Business loans in Travis County are generated by the LPO. A significant portion of these loans are interim construction loans to builders. These loans are being taken out by permanent mortgages at other institutions. The office of the LPO is located in an upper level census tract, and Austin has many other financial institutions throughout the city.

Geographic Distribution of Loans to Businesses in Travis County								
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
Commercial	6%	0%	20%	28%	32%	8%	42%	64%

Source: Bank loan trial; Dun and Bradstreet data.

Residential Real Estate

FWNB’s geographic distribution of residential real estate loans within the Tarrant County assessment needs some improvement. As evidenced in the table below, only 4% of the loans were in the low- to moderate-income tracts compared to 24% of AA owner occupied housing in the AA. There are 109 low- to moderate-income tracts in Tarrant County, or 35% of the 310 census tracts in the county. Most of the loans for residential real estate are interim construction loans to builders versus home loans to individuals. The bank is in a moderate-income census tract, but most of the revitalization of the area is being done by companies and organizations instead of individuals. Management has made a strong commitment to ensure that the credit needs of customers in all income levels are met. The bank and its officers are very involved in revitalization projects with Fort Worth South, Inc. This organization is a private, member-funded, nonprofit development group dedicated to the revitalization of the near Southside of Fort Worth where the bank is located. The bank is closely monitoring its progress in order to increase loans in the low- and moderate-income census tracts.

Geographic Distribution of Residential Real Estate Loans in Tarrant County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Residential RE	% 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
Total	4%	2%	20%	2%	36%	12%	40%	84%

Source: Bank loan data; U.S. Census data.

The bank meets the standards for satisfactory performance in geographic distribution of residential real estate loans compared to the percentage of low- and moderate-income households in Travis County. The bank’s loans exceed the percentage of households in both low- to moderate-income census tracts.

Geographic Distribution of Residential Real Estate Loans in Travis County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Residential RE	% 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
Total	4%	16%	21%	37%	36%	47%	38%	0%

Source: Loan trial; U.S. Census data

Consumer Loans

The bank meets the standards for satisfactory performance in geographic distribution of consumer loans compared to the percentage of low- and moderate-income households. Our analysis indicates that the bank's loans in the Tarrant County AA exceeds the percentage of households in low-income census tracts and are slightly below the percentage of households in the moderate-income tracts. However, they total 41% of loans made since the last CRA examination in 2001. The following charts reflect the results of our analysis of consumer loans that originated in the two AAs.

Table 3B - Geographic Distribution of Consumer Loans in Tarrant County (2/1/01-12/31/05)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	5%	20%	25%	21%	39%	19%	31%	40%

Source: Bank loan data; U.S. Census data.

In the Travis County AA, our analysis indicates that the bank's consumer loans exceed the percentage of households in the low-income census tracts. The loans are below the percentage of households in the moderate-income census tracts.

Table 3B - Geographic Distribution of Consumer Loans in Travis County as of 5/31/2006								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	10%	20%	28%	11%	35%	19%	27%	50%

Source: Loan trial; U.S. Census data

Responses to Complaints

During this evaluation period, Fort Worth National Bank did not receive any consumer complaints that relate to CRA performance.

Fair Lending or Other Illegal Credit Practices Review

An analysis of public comments and consumer compliant information was performed according to the OCC's risk based fair lending approach. Based on our analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with this CRA evaluation.