




SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 28, 2002 

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Arlington National Bank
Charter Number 20880**

**5901 South Cooper Street
Arlington, TX 76003**

**Comptroller of the Currency
ADC – Dallas South
500 North Akard Street Suite 1600
Dallas, 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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Arlington National Bank's lending performance reflects responsiveness to its community credit needs. The lending performance is satisfactory given its size, financial condition, and known credit needs of its assessment area. The primary factors supporting the bank's overall rating include:

- An average loan-to-deposit ratio of 70% since December 1997, exceeds that of other local institutions and is reasonable given the competitive banking market in the Arlington area.
- The majority of loans are within the bank's assessment area. The distribution of loans among individuals of various income levels and small businesses meets the standards for satisfactory performance:
 - Our sample of commercial loans revealed that 70% of the loans reviewed were made to businesses with gross annual revenues less than \$1 million and 60% of the loans were made within the bank's assessment area.
 - The commercial real estate loan sample revealed that 80% of the loans reviewed were made to businesses with gross annual revenues less than \$1 million and 85% of the loans were made within the assessment area.
 - Of the consumer loans reviewed, 70% were made to low/moderate-income applicants, while 55% of the loans were made within the assessment area.

The bank's prior CRA rating of May 8, 1997 was "satisfactory".

DESCRIPTION OF INSTITUTION

Arlington National Bank has four locations in Arlington, Texas. ATM services are available at all four locations. The bank offers a full range of loan products and deposit services, as well as trust services. The bank's lending emphasis is commercial and commercial real estate loans. As of December 31, 2001, the bank had total assets of \$96 million, with total loans of \$62 million and total deposits of \$89 million. The loan mix is reflected in the following table:

Loan Category	\$ (000)	% of Total
Commercial Real Estate Loans	12,595	20.27
Commercial Loans	19,249	30.97
Residential Real Estate Loans	5,339	8.59
Consumer Loans	15,413	24.80
Construction/Development	9,558	15.37
Total	62,154	100.00

Arlington National Bank is independently owned. There are no financial or legal impediments to the bank's ability to meet the credit needs of its assessment area. There are no planned mergers or acquisitions, nor are there any planned branch openings or closings.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes a total of 73 census tracts and is defined as the city of Arlington using major highways as the boundaries. The assessment area includes census tracts which border the surrounding communities of Fort Worth, Grand Prairie and Mansfield. The area is part of the Fort Worth-Arlington Metropolitan Statistical Area (MSA). The assessment area meets the requirements of the CRA regulation by including whole geographies and does not arbitrarily exclude any low-or moderate-income areas. Only two census tracts are designated as low-income, while thirteen census tracts are designated as moderate-income. Based on 1990 Census Bureau data, the population of Arlington is 343,744. The area has experienced significant growth in recent years.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	90,860
Number of Households	134,059
<i>Geographies</i>	
Number of Census Tracts/BNA	73
% Low-Income Census Tracts/BNA	2
% Moderate-Income Census Tracts/BNA	13
% Middle-Income Census Tracts/BNA	26
% Upper-Income Census Tracts/BNA	32
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$37,571
2001 HUD-Adjusted MFI	\$61,300
<i>Economic Indicators</i>	
Unemployment Rate	5.3
1990 Median Housing Value	\$91,047
% of Households Below Poverty Level	7.96

The economy in the City of Arlington is well diversified. Employment is led by the services industry, followed by retail trade and manufacturing. The largest employers are the Arlington Independent School District, University of Texas at Arlington, Six Flags Over Texas, City of Arlington, Arlington Memorial Hospital and General Motors. Based on our discussion with the community contact and bank management, the primary credit needs are identified as affordable housing and small business loans.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank’s CRA performance rating is “Satisfactory” and is based on the bank’s overall average loan-to-deposit ratio of 70% which is satisfactory and exceeds that of other local financial institutions. The percentage of loans made within the assessment area is at satisfactory levels. The bank’s overall lending to and engaging in lending related activities for borrowers and entities of different income levels is satisfactory. The Office of the Comptroller of the Currency also evaluates the distribution of the bank’s loans and the bank’s record of taking action in response to written complaints about its performance in helping to meet credit needs in its assessment area. A random sampling of the bank’s various loan types were reviewed and were considered in the final CRA rating.

Loan-to-Deposit Ratio

Arlington National Bank’s loan-to-deposit (LTD) ratio is satisfactory and exceeds that of three other local financial institutions. The bank’s average LTD for the last four years is 69.99%.

Institution	Assets (as of 12/31/01 \$ (000)s)	Average LTD Ratio
First National Bank of Burleson	\$100,732	56.04%
Heritage National Bank	\$179,457	54.68%
Citizen’s National Bank	\$85,991	81.99%
Northwest National Bank	\$64,346	75.29%
Liberty Bank	\$78,184	67.39%
<i>Arlington National Bank</i>	<i>\$92,130</i>	<i>69.99%</i>

Lending in Assessment Area

The bank meets the standards for satisfactory performance in lending within its assessment area.

As depicted in the chart below, the majority of the loan sample, both in number and dollar volume, are made within the bank's assessment area.

TOTAL LOANS REVIEWED (1999-2001)								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	11	55.00	180	57.32	9	45.00	134	42.68
Commercial	12	60.00	677	66.37	8	40.00	343	33.63
Commercial Real Estate	17	85.00	4,505	92.75	3	15.00	352	7.25
Total Reviewed	40	66.67	5,362	72.14	20	33.33	829	27.86

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

Based on the bank's HMDA data for 1999 through 2001, the bank only reported a small amount of residential real estate loans compared to the volume of commercial, commercial real estate and consumer loans. The tables below focuses on the bank's loans which make up the largest portion of their loan portfolio.

CONSUMER (Sample of loans 1999 - 2001)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households ²	17.7%		16.8%		21.4%		44.2%	
Consumer Installment	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	40%	29.62%	30%	25.80	--	--	30%	44.58

The sample of twenty consumer loans reflect that 70% of the sample loans were made to low- and moderate-income families compared to 30% to upper-income families. There were only two census tracts designated as low-income, and eight census tracts are designated as moderate-income in the bank's assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (1999-2001)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses ³	68.98%	5.51%
% of Bank Loans in AA #	78%	22%
% of Bank Loans in AA \$	88%	12%

* Revenues not reported for 25.51% of Business in AA

* % of Bank loans in AA# include commercial and commercial real estate loans reviewed during this evaluation period.

Geographic Distribution of Loans

Based on the loan sample review, the bank meets the standards for satisfactory performance for geographic distribution of loans. The data reflected in the table under “Lending In Assessment Area” illustrates the level of loans made in/out of the bank’s assessment area. We found that 55% of consumer loans were made within the designated assessment area. Of the commercial loan sample, 60% were made within the assessment area, while 85% of loans in the commercial real estate sample were made within the assessment area. The in/out ratio based on the total loans reviewed is 67%. The bank does not code their loans by census tract number or income level during the normal course of business. Therefore, an analysis of the bank’s entire loan portfolio could not be performed.

Responses to Complaints

The bank has received only one lending related consumer complaint since the previous CRA examination. The findings were that the bank was technically correct in their actions.

Fair Lending Review

An analysis of three years HMDA (1999 through 2001) and Small Business data, public comments and consumer complaint 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 the CRA evaluation this year.