



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 24, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Legend Bank, National Association
Charter Number: 4265

101 West Tarrant Street
Bowie, TX 76230

Office of the Comptroller of the Currency
Dallas Field Office
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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 Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The overall CRA performance of Legend Bank, National Association (Legend), is satisfactory with an adequate record of meeting the credit needs of its assessment areas (AA). The following factors support this rating:

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of the bank's loans were made within the AA.
- The distribution of HMDA loans and consumer loans to low- and moderate-income borrowers was reasonable. Loans to small businesses and small farms were good with over 90 percent of loans in the amounts of \$100,000 or less.
- At its first CRA evaluation under the Community Development Test, the bank showed an adequate level of community development loans, investments and services.
- The bank has not received any CRA-related complaints during the evaluation period.

Scope of Examination

This is the first time Legend Bank was examined using Intermediate-Small Bank CRA examination procedures. The previous CRA evaluation, dated August 24, 2007, was performed using Small Bank procedures. The review period for this examination covered 2008, 2009, 2010, and the first six months of 2011. Under the lending test, HMDA loans, consumer loans, small business loans, and small farm loans were reviewed. Under the Community Development Test, community development loans, investments, and services were reviewed.

Description of Institution

Legend is a wholly-owned subsidiary of Legend Bancorp, Incorporation. Legend's main office is located in Bowie, Texas, 60 miles north of Fort Worth, Texas, and 35 miles east of Wichita Falls, Texas. Legend's branch offices are located in Alvord, Bonham, Decatur, Fort Worth, Henrietta, Nocona, and Whitesboro, Texas. Legend acquired Bonham State Bank in late 2007 and added Fannin County to its AA. In November 2008, Legend opened the Fort Worth branch and expanded its AA to include Tarrant County. In September 2010, Legend closed the Dayton branch and removed Liberty County from its AA.

Legend offers a full range of commercial and consumer banking products, and financial

services. At June 30, 2011, Legend had total assets of \$564 million, total loans of \$298 million, and total deposits of \$496 million. The table below provides a breakdown of Legend's loan portfolio with the percentages of total loans.

Loan Category	Amount (\$000s)	% of Total
Agricultural Loans	64,140	21
Farm Real Estate Loans	38,886	13
Commercial/Industrial Loans	55,559	19
Commercial Real Estate Loans	53,954	18
Residential Real Estate Loans	70,203	24
Consumer Loans	11,348	4
Other Loans	4,467	1
Total	298,557	100

We conducted a community contact during the examination. The contact was an official with the local economic development corporation. The contact indicated that Legend offers a variety of loan products and is willing to help local small businesses with their credit needs.

Description of Assessment Areas

Legend's AA include seven counties, all in the state of Texas. Tarrant and Wise Counties are two of the four counties constituting the Fort Worth – Arlington metropolitan statistical area (MSA). Grayson County is the only county in the Sherman – Denison MSA. Clay County is one of the three counties constituting the Wichita Falls MSA. Montague, Cooke and Fannin Counties are not part of an MSA.

Fort Worth – Arlington MSA Assessment Area

Legend opened the Fort Worth branch in November 2008 and added the entire Tarrant County to its AA. According to the 2000 U.S. Census, Tarrant County had 310 census tracts: 24 low-income, 85 moderate-income, 108 middle-income, and 93 upper-income. Total population equaled 1.4 million, and there were approximately 372 thousand families. Among families, 19.48 percent were low-income, 18.35 percent were moderate-income, 21.37 percent were middle-income, and 40.80 percent were upper-income. The median housing value was \$101,614. The 2010 HUD updated MSA median family income was \$67,300.

Legend has Alvord and Decatur Branch Offices in Wise County. There were eleven census tracts in this county; two were moderate-income tracts and nine were middle-income tracts. Total population was 48,793, and there were 13,470 families. Among families, 22.63 percent were low-income, 20.76 percent were moderate-income, 25.39 percent were middle-income, and 31.22 percent were upper-income. The median housing value was \$80,608. The 2010 HUD updated MSA median family income was \$67,300.

Sherman – Denison MSA Assessment Area

The Sherman – Denison MSA consists of only Grayson County and had 26 census tracts according to the 2000 U.S. Census. Seven were moderate-income tracts, 17 were middle-income tracts, and two were upper-income tracts. Grayson County had a population of 110,595, and there were 30,297 families. Of total families, 19.46 percent were low-income, 18.09 percent were moderate-income, 23.05 percent were middle-income, and 39.40 percent were upper-income. The median housing value was \$68,675. The 2010 HUD updated MSA median family income was \$57,600.

Wichita Falls MSA Assessment Area

Clay County is one of the three counties constituting the Wichita Falls MSA. There were three census tracts in the county, all middle-income tracts. Clay County had a population of 11,006 and 3,220 families. Of these families, 17.11 percent were low-income, 19.38 percent were moderate-income, 25.06 percent were middle-income, and 38.45 percent were upper-income. The median housing value was \$52,940. The 2010 HUD updated MSA median family income was \$53,200.

Non-MSA Assessment Areas

Montague County had six census tracts, all middle-income tracts. The county had a population of 19,117 and 5,486 families. Of total families, 18.79 percent were low-income, 16.83 percent were moderate-income, 23.51 percent were middle-income, and 40.87 percent were upper-income. Legend's main office in Bowie and a branch office in Nocona are located in Montague County. The median housing value was \$56,008. The 2010 HUD updated non-MSA median family income was \$46,500.

Cooke County had nine census tracts: two moderate-income, three middle-income, and four upper-income. The county had a population of 36,363 and 10,035 families. Of total families, 15.27 percent were low-income, 13.91 percent were moderate-income, 19.39 percent were middle-income, and 51.43 percent were upper-income. The median housing value was \$73,484. The 2010 HUD updated non-MSA median family income was \$46,500.

Fanin County also had nine census tracts: five middle-income and four upper-income tracts. The county had a population of 31,242 and 8,042 families. Of total families, 15.99 percent were low-income, 15.90 percent were moderate-income, 20.12 percent were middle-income, and 47.99 percent were upper-income. The median housing value was \$58,215. The 2010 HUD updated non-MSA median family income was \$46,500.

The general state of the economy for the combined assessment area is fairly stable and diversified. The primary credit needs of the area are related to small business development. The oil and gas industry is a major industry in the area.

Conclusions with Respect to Performance Tests

Legend's overall CRA performance is satisfactory. Evaluations under the Lending Test

and the Community Development Test show favorable results and positive trends. Details are discussed in individual sections below.

LENDING TEST

Legend's performance under the Lending Test during the review period was good. From January 1, 2008 through June 30, 2011, the bank originated 486 HMDA loans totaling \$59.6 million, 4,054 consumer loans totaling \$37.5 million, 1,930 small business loans totaling \$82.4 million, and 1,740 small farm loans totaling 44.6 million.

Legend's LTD ratio was adequate and compared favorably with some of the area banks of similar size.

A significant majority of Legend's loans were in its assessment areas, especially for small business and farm loans.

Loan-to-Deposit Ratio

The average quarterly loan-to-deposit ratio for the 14 quarters during the review period was 69.51 percent, compared with 69.08 percent for the previous evaluation. The table below shows this ratio and compares it with the ratios for three other local financial institutions of similar size.

Name of Institution	Total Assets (\$000s)	Average LTD Ratio
Legend Bank	564,442	69.51
First State Bank	524,905	57.96
Community Bank	526,199	63.97
Woodhaven National Bank	416,802	86.09

Lending in Assessment Area

During the review period from January 1, 2008, through June 30, 2011, Legend originated 486 HMDA loans totaling \$59.6 million. Of total loans, 355 loans, or 73.05 percent, were within the bank's assessment areas. This ratio would be higher if the 58 loans originated in Liberty County were included. Legend sold the Liberty County branch in Dayton in September 2010.

Legend's lending concentration within its assessment areas for other loans was also good. The estimated ratios for consumer loans, small business loans, and small farm loans were 90 percent, 81.5 percent, and 75.5 percent, respectively.

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

Overall, Legend's lending to low- and moderate-income borrowers was adequate. Distribution analyses of HMDA loans were performed for individual assessment areas, and the results are summarized in the tables below.

A sample review of 171 consumer loans originated during the review period indicated that about 71 percent of these loans were to low- and moderate-income borrowers.

Legend’s lending to small businesses and farms was good in all assessment areas during the review period. Notably, 91.5 percent of all small business loans originated were in the original amounts of \$100,000 or less, and 93.62 percent of all small farm loans originated were in the original amount of \$100,000 or less.

Fort Worth – Arlington MSA Assessment Area

The table below shows the distribution of Legend’s HMDA loans by borrower income level for this assessment area during the review period. The distribution was adequate.

Distribution of HMDA Loans by Borrower Income Level Fort Worth – Arlington MSA Assessment Area (Amount in Thousands)				
Borrower Income Level	Number of Loans		Amount of Loans	
	#	%	\$	%
Low	14	14.00	826	6.21
Moderate	15	15.00	1,018	7.66
Middle	25	25.00	2,364	17.79
Upper	42	42.00	5,297	39.86
Income NA	4	4.00	3,785	28.48
Total	100	100.00	13,290	100.00

During the review period, Legend originated 588 small business loans totaling \$28.1 million in this assessment area, with 92.86 percent of these loans in the original amounts of \$100,000 or less. Legend also originated 191 small farm loans with 91.1 percent of these loans in the original amounts of \$100,000 or less.

Also in this assessment area, Legend originated 992 consumer loans totaling \$10 million during the review period.

Sherman – Denison MSA Assessment Area

The table below shows the distribution of Legend’s HMDA loans by borrower income level for this assessment area during the review period. The distribution was adequate.

Distribution of HMDA Loans by Borrower Income Level Sherman - Denison MSA Assessment Area (Amount in Thousands)				
Borrower Income Level	Number of Loans		Amount of Loans	
	#	%	\$	%
Low	6	15.39	336	5.09
Moderate	8	20.51	763	11.56
Middle	7	17.95	851	12.89
Upper	15	38.46	2,322	35.17
Income NA	3	7.69	2,330	35.29
Total	39	100.00	6,602	100.00

During the review period, Legend originated 160 small business loans totaling \$7.2 million in this assessment area, with 87.5 percent of these loans in the original amounts of \$100,000 or less. Legend also originated 112 small farm loans totaling \$5.8 million with 83.93 percent of these loans in the original amounts of \$100,000 or less.

Also in this assessment area, Legend originated 170 consumer loans totaling \$2.4 million during the review period.

Wichita Falls MSA Assessment Area

The table below shows the distribution of Legend's HMDA loans by borrower income level for this assessment area during the review period. Lending to low- and moderate-income borrowers was low.

Distribution of HMDA Loans by Borrower Income Level Wichita Falls MSA Assessment Area (Amount in Thousands)				
Borrower Income Level	Number of Loans		Amount of Loans	
	#	%	\$	%
Low	1	4.55	8	0.48
Moderate	2	9.09	70	4.18
Middle	9	40.91	535	31.96
Upper	10	45.45	1,061	63.38
Income NA	0	0.00	0	0.00
Total	22	100.00	1,674	100.00

During the review period, Legend originated 200 small business loans totaling \$4.8 million in this assessment area, with 97.5 percent of these loans in the original amounts of \$100,000 or less. Legend also originated 203 small farm loans totaling \$4.9 million with 94.58 percent of these loans in the original amounts of \$100,000 or less.

Also in this assessment area, Legend originated 270 consumer loans totaling \$3.2

million during the review period.
Montague County Non-MSA Assessment Area

The table below shows the distribution of Legend’s HMDA loans by borrower income level for this assessment area during the review period. Lending to low- and moderate-income borrowers was low.

Distribution of HMDA Loans by Borrower Income Level Montague County Non-MSA Assessment Area (Amount in Thousands)				
Borrower Income Level	Number of Loans		Amount of Loans	
	#	%	\$	%
Low	8	6.25	191	1.66
Moderate	12	9.37	918	7.95
Middle	20	15.63	1,204	10.43
Upper	87	67.97	8,999	77.97
Income NA	1	0.78	230	1.99
Total	128	100.00	11,542	100.00

During the review period, Legend originated 548 small business loans totaling \$21.9 million in this assessment area, with 91.42 percent of these loans in original amounts of \$100,000 or less. Legend also originated 658 small farm loans totaling \$17.7 million with 93.77 percent of these loans in the original amounts of \$100,000 or less.

Also in this assessment area, Legend originated 1,859 consumer loans totaling \$14.2 million during the review period.

Cooke County Non-MSA Assessment Area

The table below shows the distribution of Legend’s HMDA loans by borrower income level for this assessment area during the review period. Lending to low-income borrowers was good, but lending to moderate-income borrowers was low.

Distribution of HMDA Loans by Borrower Income Level Cooke County Non-MSA Assessment Area (Amount in Thousands)				
Borrower Income Level	Number of Loans		Amount of Loans	
	#	%	\$	%
Low	5	17.86	431	8.71
Moderate	0	0.00	0	0.00
Middle	2	7.14	114	2.30
Upper	17	60.71	1,880	37.98
Income NA	4	14.29	2,525	51.01
Total	28	100.00	4,950	100.00

During the review period, Legend originated 86 small business loans totaling \$3.8 million in this assessment area, with 87.21 percent of these loans in the original amounts of \$100,000 or less. Legend also originated 60 small farm loans totaling \$2.8 million with 83.33 percent of these loans in the original amounts of \$100,000 or less.

Also in this assessment area, Legend originated 91 consumer loans totaling \$1.3 million during the review period.

Fanin County Non-MSA Assessment Area

The table below shows the distribution of Legend’s HMDA loans by borrower income level for this assessment area during the review period. Lending to low- and moderate-income borrowers was adequate.

Distribution of HMDA Loans by Borrower Income Level Fanin County Non-MSA Assessment Area (Amount in Thousands)				
Borrower Income Level	Number of Loans		Amount of Loans	
	#	%	\$	%
Low	4	10.53	170	7.04
Moderate	4	10.53	202	8.36
Middle	8	21.05	388	16.07
Upper	22	57.89	1,655	68.53
Income NA	0	0.00	0	0.00
Total	38	100.00	2,415	100.00

During the review period, Legend originated 230 small business loans totaling \$10.7 million in this assessment area, with 89.13 percent of these loans in the original amounts of \$100,000 or less. Legend also originated 229 small farm loans totaling \$6.3 million with 94.32 percent of these loans in the original amounts of \$100,000 or less.

Also in this assessment area, Legend originated 495 consumer loans totaling \$4 million during the review period.

Geographic Distribution of Loans

Overall, Legend’s lending in low- and moderate-income geographies was adequate. Distribution analyses of HMDA loans were performed for individual assessment areas, and the results are summarized in the tables below.

No HMDA loans were made in low-income tracts during the review period. Legend has a limited number of such tracts in its assessment areas.

Fort Worth – Arlington MSA Assessment Area

The table below shows the geographic distribution of HMDA loans by geography income level for this assessment area during the review period. There are no low-income tracts in this assessment area. Lending in moderate-income geographies was good.

Distribution of HMDA Loans by Geography Income Level Fort Worth – Arlington MSA Assessment Area (Amount in Thousands)				
Geography Income Level	Number of Loans		Amount of Loans	
	#	%	\$	%
Low	0	0.00	0	0.00
Moderate	23	23.00	4,412	33.20
Middle	72	72.00	8,536	64.23
Upper	5	5.00	342	2.57
Total	100	100.00	13,290	100.00

Sherman – Denison MSA Assessment Area

The table below shows the geographic distribution of HMDA loans by geography income level for this assessment area during the review period. There are no low-income tracts in this assessment area. Lending in moderate-income geographies was low.

Distribution of HMDA Loans by Geography Income Level Sherman – Denison MSA Assessment Area (Amount in Thousands)				
Geography Income Level	Number of Loans		Amount of Loans	
	#	%	\$	%
Low	0	0.00	0	0.00
Moderate	1	2.56	41	0.62
Middle	36	92.31	6,393	96.83
Upper	2	5.13	168	2.55
Total	39	100	6,602	100

Wichita Falls MSA Assessment Area

The table below shows the geographic distribution of HMDA loans by geography income level for this assessment area during the review period. All tracts in this assessment area are middle-income.

Distribution of HMDA Loans by Geography Income Level Wichita Falls MSA Assessment Area (Amount in Thousands)				
Geography Income Level	Number of Loans		Amount of Loans	
	#	%	\$	%
Low	0	0.00	0	0.00
Moderate	0	0.00	0	0.00
Middle	22	100.00	1,674	100.00
Upper	0	0.00	0	0.00
Total	22	100.00	1,674	100.00

Montague County Non-MSA Assessment Area

The table below shows the geographic distribution of HMDA loans by geography income level for this assessment area during the review period. All tracts in this assessment area are middle-income.

Distribution of HMDA Loans by Geography Income Level Montague County Non-MSA Assessment Area (Amount in Thousands)				
Geography Income Level	Number of Loans		Amount of Loans	
	#	%	\$	%
Low	0	0.00	0	0.00
Moderate	0	0.00	0	0.00
Middle	128	100.00	11,542	100.00
Upper	0	0.00	0	0.00
Total	128	100.00	11,542	100.00

Cooke County Non-MSA Assessment Area

The table below shows the geographic distribution of HMDA loans by geography income level for this assessment area during the review period. There are no low-income tracts in this assessment area. Lending in moderate-income geographies was poor and needs improvement.

Distribution of HMDA Loans by Geography Income Level Cooke County Non-MSA Assessment Area (Amount in Thousands)				
Geography Income Level	Number of Loans		Amount of Loans	
	#	%	\$	%
Low	0	0.00	0	0.00
Moderate	2	7.14	138	2.79
Middle	16	57.14	1,474	29.78
Upper	10	35.72	3,338	67.43
Total	28	100.00	4,950	100.00

Fanin County Non-MSA Assessment Area

The table below shows the geographic distribution of HMDA loans by geography income level for this assessment area during the review period. All tracts in this assessment area are middle-income.

Distribution of HMDA Loans by Geography Income Level Fanin County Non-MSA Assessment Area (Amount in Thousands)				
Geography Income Level	Number of Loans		Amount of Loans	
	#	%	\$	%
Low	0	0.00	0	0.00
Moderate	0	0.00	0	0.00
Middle	29	76.32	1,736	71.88
Upper	9	23.68	679	28.12
Total	38	100.00	2,415	100.00

Responses to Complaints

Legend did not receive any CRA-related complaints during the review period.

COMMUNITY DEVELOPMENT TEST

Legend's performance under the Community Development Test is good. During the review period, Legend made an adequate level of community development loans, investments and services, as detailed in the sections below.

Number and Amount of Community Development Loans

Legend made loans to two entities that purchase, renovate, and resell single-family homes in the Dallas/Fort Worth area. They use Legend's loan funds to provide financing for primarily low-to-moderate-income (LMI) homeowners. These loans are considered community development loans because they promote and facilitate affordable housing for LMI individuals; and also revitalize and stabilize LMI

neighborhoods.

Number and Amount of Qualified Investments

In March 2010, Legend committed \$1 million to Valesco Commerce Street Capital, L.P., a Small Business Investment Company (SBIC). This investment promotes economic development by financing small businesses. This commitment is good for five years, and the bank is waiting for Valesco's instructions to fund its commitment. According to the agreement, this investment has a geographic focus on the bank's assessment areas.

In April 2010, Legend purchased a \$1.8 million Ginnie Mae mortgage-backed security as a CRA investment. This security was collateralized by 16 30-year fixed home mortgage loans to LMI borrowers in Tarrant County. These loans were guaranteed by Ginnie Mae.

In May 2011, Legend made a \$1.3 million investment to the Senior Housing Crime Prevention Foundation (SHCPF) to support the Senior Crimestoppers Program (SCP) through participation in the National Veterans Initiative. SHCPF is a national organization which was established to provide a vehicle for banks to earn CRA consideration. The SCP allows banks to serve the nation's senior housing residents who have been classified as LMI individuals.

Extent to Which the Bank Provides Community Development Services

Legend's Board, management, and employees are all actively involved in various community organizations and CRA outreach activities. Notably, their involvement in financial literacy programs was significant. These include MoneyIsland, Building Wealth, and Financial Fitness.

MoneyIsland is a multi-level online world provided as a free service to the schools and families in the areas served by the bank. It uses interactive games, rewards, and ongoing content to teach financial skills. Parents and teachers can play along while providing their children with tools they need to live a financially healthy life. This educational and entertaining online experience teaches children from ages 8 to 14 in three key areas: Savings & Spending, Earning & Investing, and Using Credit Wisely.

Building Wealth is a Federal Reserve Bank of Dallas' program. The program presents an overview of personal wealth-building strategies that include setting financial goals, budgeting, saving and investing, managing debt, and understanding credit reports and credit scores. An animated CD-ROM version of this guide has been developed for individuals to use at their home computer or for multiple users in classrooms and computer labs.

Legend's Fort Worth Branch President and his employees serve as volunteers for Catholic Charities Diocese of Fort Worth, Inc., teaching quarterly classes on Credit from the Financial Fitness curriculum provided by Catholic Charities. This curriculum was written and produced by The University of Missouri with the intent of assisting

underprivileged people in obtaining a general understanding of finance, insurance, and the use of credit.

Responsiveness to Community Development Needs

As indicated from the above sections, Legend has been responding to community development needs of its various assessment areas. Such needs include affordable housing and homeownership for LMI individuals and families, small business development and financing, and financial literacy training. The bank is continuing and expanding its efforts in these areas in order to meet bigger challenges associated with its expanded assessment areas.

Legend's main office in Bowie and its seven full-service branch offices throughout its MSA and non-MSA assessment areas provide a full range of products and services. These products and services are reasonably accessible to geographies and individuals of different income levels in all assessment areas.

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.