



SMALL BANK

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

PUBLIC DISCLOSURE

July 05, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**State National Bank of Texas
Charter Number 13614**

**104 West Park Street
Iowa Park, Texas 76367**

**Comptroller of the Currency
Dallas Field Office
500 North Akard St., Suite 1600
Dallas, Texas 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.

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

State National Bank of Texas (SNB) has a satisfactory record of meeting the credit needs of the community. Factors supporting this rating include:

- A majority of residential real estate, consumer installment, and small business loans are originated within the assessment area.
- The geographic distribution of residential loans and sampled consumer (used vehicle) and commercial loans reflects a strong dispersion to low- and moderate-income census tracts.
- The commercial loans sampled indicate a good penetration to businesses of different sizes, especially to those with revenues less than \$1 million.
- The distribution of consumer loans demonstrates a reasonable penetration to low- and moderate-income households.
- There were no Community Reinvestment Act (CRA) complaints filed during this rating period.
- There is no evidence of illegal discrimination.

DESCRIPTION OF INSTITUTION

SNB is wholly-owned by North Central Texas Bancshares, Inc., a single-bank holding company. Its main office is located in Iowa Park, Texas, approximately 10 miles northwest of Wichita Falls, Texas. In addition to the main office, there are six branches in the surrounding cities of Electra, Holliday, Archer City, Windthorst, and two in Wichita Falls. The number of branches is unchanged since the last CRA examination. All locations have drive-up facilities providing extended weekday and Saturday hours. In addition, there are 11 Automated Teller Machines (ATMs) near each branch.

SNB serves Archer and Wichita counties, which are part of the three-county Wichita Falls Metropolitan Statistical Area (MSA 48660). There are no financial or legal obstacles affecting the bank's ability to meet community credit needs. SNB was rated "Satisfactory" in its previous CRA public evaluation dated November 5, 2001.

SNB's primary competition consists of three locally-owned banks and branches of larger national and state banks which operate within the assessment area. SNB is a full service institution, providing various loan and deposit products. As of March 31, 2006, total assets were \$152 million. Loans and investments represent 50% and 43% of assets, respectively. The loan portfolio is a mix of consumer and business lending, with a focus on real estate secured-lending. The table on the following page portrays the principal loan mix:

Loan Category (as of June 22, 2006)	Balance (000's)	Percent of Dollar	Number Of Loans	% of Number
Residential Real Estate	\$21,020	29%	458	23%
Commercial Real Estate	\$20,696	28%	166	8%
Commercial Purpose	\$12,241	17%	275	14%
Consumer Installment	\$6,854	9%	834	42%
Agriculture (Purpose/Real Estate)	\$12,351	17%	250	13%
Other	\$422	0%	5	0%
Total	\$75,344	100%	1,988	100%

Primary Lending Products

As shown in the above table, Residential Real Estate and Commercial Real Estate loans are the primary lending products. Therefore, we selected loans in these categories for our review. We also selected consumer installment lending based on the number of loans originated.

Specifically, we reviewed all residential real estate loans originated since January 1, 2004, which include home purchase, home improvement and refinance loans, in addition to a random sample of 20 each commercial and consumer loans originated during the same timeframe. The consumer loan sample included only Used Vehicle loans.

DESCRIPTION OF WICHITA/ARCHER COUNTIES

SNB's assessment area (AA) 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. The assessment area meets the requirements of the regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas. The following table, based upon 2000 census data, reflects the AA demographics.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	35,615
Number of Households	51,782
<i>Geographies</i>	
Number of Census Tracts	39
# - % Low-Income Census Tracts	1 - 3%
# - % Moderate-Income Census Tracts	13 - 33%
# - % Middle-Income Census Tracts	15 - 38%
# - % Upper-Income Census Tracts	10 - 26%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	41,240
2004 HUD Adjusted MFI	47,600
2005 HUD Adjusted MFI	47,600
2006 HUD-Adjusted MFI	47,600
<i>Economic Indicators</i>	
Unemployment Rate	2.52%
2006 Median Housing Value	64,031
% of Households Below Poverty Level	13%

Occupied housing units in the assessment area total 91%, with owner-occupied housing representing 58% and rental-occupied housing 33%. Vacant housing units total 9%.

The economy of the area is fairly stable and diverse. The largest employers in the AA are Sheppard Air Force Base, area school districts, United Regional Health Care System, the James V. Allred Unit (state prison) and city government.

We identified the credit needs of the community through discussions with city government representatives who indicated that the primary credit need is low-income housing. These officials reported that there are two primary lending programs that target low- and moderate-income individuals. One is sponsored by the city and provides down payment assistance, while the other is a mortgage revenue bond program that serves a larger area, but is mainly focused in Wichita County. The bond program offers below market interest rates and down payment assistance to qualifying individuals.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our evaluation of SNB's performance covers the period January 1, 2004 through March 31, 2006. We reviewed a sample of the primary lending products to assess CRA performance. Overall, SNB meets the standards of satisfactory performance. SNB's primary strength is its lending within the AA.

Loan-to-Deposit Ratio

SNB meets the standard for satisfactory performance given its size, financial condition, and the AA's credit needs. The eighteen quarter average Loan-to-Deposit (LTD) ratio is 55% compared to the 77% average for local competitors and the national peer group. Although this ratio is comparatively low, there are factors that explain this difference. Unlike its competitors, whose operations are centered in the city of Wichita Falls, SNB has operations outside Wichita Falls in much more rural surrounding communities. According to management, the credit demand is lower in these locations. In addition, because of SNB's presence in these rural communities, the bank has had the opportunity to obtain a greater percentage of public deposits compared to the competition. Due to regulatory pledging requirements associated with state and local government deposit accounts, these funds are ultimately not available to lend, thus impacting the LTD ratio. Overall, SNB's LTD ratio is reasonable given its operating environment.

Institution	Average Assets - As of 03/31/06 (000's)	Average LTD Ratio
National Peer Group	\$100,000 - \$300,000	79%
American National Bank, Wichita Falls	\$315,338	80%
First National Bank, Wichita Falls	\$158,618	83%
First National Bank Byers	\$69,162	72%
Fidelity Bank, Wichita Falls*	\$106,397	68%
Average	-	77%
<i>State National Bank of Texas, Iowa Park</i>	<i>\$152,924</i>	<i>55%</i>

* - New bank, only 11 quarters of data

Lending in Assessment Area

A majority of SNB’s lending is originated within the AA as depicted in the following table. SNB’s record of lending within the AA is strong and exceeds the standards for satisfactory performance. Of loans originated since 2004, 88% by number and 84% by dollar volume were made within the AA.

Table 1 - Lending in Wichita/Archer Counties										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer – Used Vehicle	307	89%	39	11%	346	\$3,297	87%	\$472	13%	\$3,769
Non-Farm Non-Residential	63	89%	8	11%	71	\$9,792	90%	\$1,101	10%	\$10,894
Residential Real Estate	184	86%	30	14%	214	\$11,394	79%	\$2,946	21%	\$14,340
Totals	554	88%	77	12%	631	\$24,483	84%	\$4,519	16%	\$29,003

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

SNB’s performance for lending to borrowers of different incomes and to businesses of different sizes is reasonable. However, residential real estate lending to low-income borrowers is low compared to the number of low-income families in the AA. Lending to moderate-income individuals ranges from comparable to exceeding assessment area averages.

Residential Real Estate

SNB’s residential real-estate lending to moderate-income individuals is reasonable given the percentage of AA families within that category. Conversely, the bank’s lending to low-income individuals lags the AA percentages as depicted below. SNB’s involvement in local lending programs that target low- and moderate-income individuals has been limited to date. SNB recently began promoting a low closing cost mortgage product. Although this product does not specifically target low- and moderate-income individuals, it does make obtaining credit more accessible for low- and moderate-income borrowers.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Wichita/Archer Counties								
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%	9%	19%	18%	24%	15%	39%	58%

Home Improvement	18%	0%	19%	29%	24%	21%	39%	50%
Refinancing	18%	17%	19%	10%	24%	30%	39%	43%
Totals	18%	10%	19%	18%	24%	18%	39%	54%

Total number of loans reviewed was 158 – Total dollar-volume of loan originations reviewed was \$9,093 thousand
Note: There were 184 total originations since 2004 but 26 of those were for investment purposes and no income information was reported through Home Mortgage Disclosure Act requirements. Therefore, these loans are not reflected in the above table.

Non-Farm Non-Residential (Business)

SNB’s lending to businesses of different sizes meets the standard for satisfactory performance. The number of loans originated to small business, which is defined as businesses with revenues less than or equal to \$1 million, represented 70% of the sample size compared to the AA ratio of 67%.

Table 2A - Borrower Distribution of Loans to Businesses in Wichita/Archer Counties		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	67%	33%
% of Bank Loans in AA by #	70%	30%
% of Bank Loans in AA by \$	58%	42%

Total number of loans reviewed was 20 – Total dollar-volume of loan originations reviewed was \$4,998 thousand

Consumer Used Vehicle (Consumer Installment)

SNB’s used vehicle lending to consumers of different income levels is reasonable as depicted in the table below. Lending to moderate-income consumers exceeds the AA ratio of 17%.

Table 2B - Borrower Distribution of Consumer Loans in Wichita/Archer Counties								
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 – Used Vehicles	21%	15%	17%	25%	21%	35%	41%	25%

Total number of loans reviewed was 20 – Total dollar-volume of loan originations reviewed was \$211 thousand

Geographic Distribution of Loans

SNB meets the standard for satisfactory performance for lending to low- and moderate-income geographies in the AA. The bank has a strong performance of lending to businesses in moderate-income geographies. Lending in low-income geographies is minimal, but justified based upon there being only one low-income census tract in the AA. 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 ranges from satisfactory to outstanding. We reviewed all

residential real estate loans originated since the beginning of 2004 and a random sample of 20 Non-Farm Non-Residential-secured and 20 Consumer Used Vehicle loans.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Wichita/Archer Counties								
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	2%	1%	19%	24%	46%	54%	34%	21%
Home Improvement	2%	0%	19%	22%	46%	57%	34%	21%
Refinancing	2%	3%	19%	15%	46%	54%	34%	28%
Total	2%	1%	19%	22%	46%	55%	34%	22%

Total number of loans reviewed was 184 – Total dollar-volume of loan originations reviewed was \$11,394 thousand

Residential real estate lending to low- and moderate-income geographies is satisfactory as depicted in the above table.

Table 3A - Geographic Distribution of Loans to Businesses in Wichita/Archer Counties								
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
Non-farm Non-Residential	1%	0%	34%	60%	32%	20%	33%	20%

Total number of loans reviewed was 20 – Total dollar-volume of loan originations reviewed was \$4,998 thousand

The geographic dispersion of lending to businesses in low- and moderate-income geographies is good as depicted in the above table. Lending to businesses in moderate income geographies is particularly strong.

Table 3B - Geographic Distribution of Consumer Loans in Wichita/Counties								
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 – Used Vehicle	2%	0%	23%	20%	43%	65%	32%	15%
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Total number of loans reviewed was 20 – Total dollar-volume of loan originations reviewed was \$211 thousand

The geographic distribution of loans to consumers is reasonable as shown above.

Responses to Complaints

SNB has not received any CRA-related complaints during this rating period.

Fair Lending or Other Illegal Credit Practices Review

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