



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 29, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Texas Community Bank and Trust, National Association
Charter Number 18302**

**8235 Douglas Ave, Suite 100
Dallas, TX 75225**

**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.

Texas Community Bank & Trust, N.A. (TCB) has a satisfactory record of meeting community credit needs. This satisfactory rating is based on the following factors:

- TCB's average loan-to-deposit ratio of 93% continues to reflect strong performance in this area. This figure exceeds the peer average of 78%.
- A majority of loans, both in number and dollar volume, are within the bank's assessment area (AA). Of the loans we reviewed, 55% of the number and 60% of the dollar volume are within the bank's AA.
- Loans are extended to individuals of different income levels. The Home Mortgage Disclosure Act (HMDA) loans that were reported in 2000, 2001, and 2002 reflect that 9% and 23% were extended to low and moderate income borrowers, respectively.
- The bank's lending to businesses of different sizes meets the standards for satisfactory performance. Of the business loans we sampled, 78% were made to businesses with gross annual revenues less than \$1 million.
- The geographic distribution of loans appears to be reasonably dispersed throughout the AA. The HMDA reportable loans reflect 12% were made in low- and moderate-income areas while 28% of our sample of business loans were made in low- and moderate-income areas.

DESCRIPTION OF INSTITUTION

TCB is a \$145 million institution located seven miles north of downtown Dallas in the Preston Center area. Texas Community Bancshares, Inc, a one-bank holding company, owns 100% of the bank. There are no legal or financial factors impeding the bank's ability to meet community credit needs. The bank offers basic banking services, has one onsite ATM, and one mobile branch for the collection of customer deposits. In addition, the bank operates a trust department and has its own mortgage company, Texas Community Mortgage, offering flexible-term residential mortgage products. The company offers mortgage loans available through FNMA, FHA, VA and other secondary market investors. The bank's focus is on residential mortgage lending. As of June 30, 2003 the loan to deposit ratio totals 96.29%. The following table details the composition of the loan portfolio.

Loan Category	\$ (000)	%
Real Estate Loans	93,575	84.55%
Commercial Loans	14,811	13.38%
Consumer Loans	2,293	2.07%
Total	110,679	100%

TCB's last CRA Performance Evaluation, May 1998, was rated *Satisfactory*. TCB is required to maintain and report HMDA data.

DESCRIPTION OF DALLAS COUNTY AND SOUTHERN COLLIN COUNTY

TCB has defined its AA as Dallas County and portions of Southern Collin County. The bank is part of the Dallas Metropolitan Statistical Area (MSA). The AA includes 453 census tracts located primarily in Dallas County, with some in southern Collin County. The AA meets regulatory guidelines by including whole geographies and does not arbitrarily exclude any low-to moderate-income areas. The 1990 Census Bureau's weighted average median family income for MSA/Non-MSA's was used to determine the income categories for census tracts in the AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	530,696
Number of Households	786,537
<i>Geographies</i>	
Number of Census Tracts/BNAs	453
% Low-Income Census Tracts/BNAs	12%
% Moderate-Income Census Tracts/BNAs	26%
% Middle-Income Census Tracts/BNAs	31%
% Upper-Income Census Tracts/BNAs	30%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$42,371
2000 Weighted Avg MSA/Non-MSA MFI	\$55,854
2003 Estimated HUD-Adjusted MFI	\$65,000
<i>Economic Indicators</i>	
Unemployment Rate	3%
2002 Median Housing Value	\$94,387
% of Households Below Poverty Level	10%

The August 2003 unemployment rate for the Dallas MSA is 7.1%, which compares less favorably to both the state and national figures of 6.8% and 6.1%, respectively. Higher MSA unemployment figures have been fueled by recent layoffs in telecommunications and airline

industries. According to the U.S. Bureau of Labor Statistics, the four top employment sectors in the Dallas MSA are services (30.2%), wholesale/retail trade (24.6%), manufacturing (13.0%), and government (11.9%). Future economic growth for the region is expected to continue in these general categories. Specifically technologies, medical services, financial products and defense contracting should experience the most expansion.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

TCB has satisfactory lending performance. The bank continues to make residential mortgage, interim construction, small business, and consumer loans throughout the AA. This also includes loans to individuals with various income levels. The following table supports these conclusions. The evaluation of the bank's performance covers the period from January 1, 2000-December 31, 2002.

A community contact was performed in July 2003 that confirms the bank's satisfactory involvement in the community. The person interviewed represents an active neighborhood organization in the city of Dallas.

Loan-to-Deposit Ratio

Institution	Assets (as of 6/30/03)	Average LTD Ratio
Peer Group per UBPR 373 Banks, \$100-300 Million	AverAssets 152,365	77.60%
<i>Texas Community Bank & Trust, NA</i>	<i>123,468</i>	<i>93.28%</i>

Loan-to-deposit ratio is derived from the Uniform Bank Performance Report as of June 30, 2003. The bank's peer group comparison includes a total of 373 institutions with total assets ranging from \$100 to \$300 million. TCB's loan-to-deposit ratio continues to reflect strong performance in this area.

Lending in Assessment Area

TOTAL LOANS REVIEWED (1/1/00 – 12/31/02)								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential Real Estate	1,265	55%	170,286	59%	1,033	45%	116,463	41%
Commercial	17	85%	4,565	84%	3	15%	870	16%
Total Reviewed	1,282	55%	174,851	60%	1,036	45%	117,333	40%

TCB made a majority of residential and business loans within the AA. Number and dollar

volume demonstrate satisfactory performance. We did not sample residential real estate loans because the bank is a HMDA reporter. Residential loans include all loans that were originated and reported on the HMDA for years 2000, 2001, and 2002. We reviewed a sample of 20 commercial loans that were outstanding as of September 30, 2003.

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

RESIDENTIAL REAL ESTATE (1/1/00 – 12/31/02)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	21%		18%		21%		40%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total*	9%	4%	23%	15%	24%	19%	42%	60%

*Applicant income was not available for 2% of the number of loans originated/purchased and 2% of the dollar amount.

All HMDA reportable loans for the years 2000-2002 were used to determine lending to individuals based on different income levels. TCB demonstrates satisfactory performance in lending to low and moderate income categories when compared to the AA characteristics.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (1/1/00 – 12/31/02)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	66%	7%
% of Bank Loans in AA #	78%	22%
% of Bank Loans in AA \$	87%	13%

*Revenues not reported for 27% of Businesses in AA.

Demographics of the AA reflect a majority of businesses have annual revenues less than \$1 million. Our sample included 20 commercial loans, including real estate. The large majority of the number and dollar volume are loans to small businesses.

Geographic Distribution of Loans

RESIDENTIAL REAL ESTATE (1/01/00 – 12/31/02)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	5%		19%		37%		39%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	1%	2%	11%	7%	33%	23%	55%	68%

BUSINESS LOANS (1/1/00-12/31/02)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	5%		24%		32%		39%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals*	17%	4%	11%	16%	22%	45%	44%	30%

**Census tract designation was not available for 6% of the number of tracts sampled and 5 % of the dollar volume sampled*

Both residential real estate loans as reported on the HMDA and business loans reflect satisfactory performance by number and dollar volume for borrowers located in low- and moderate-income census tracts.

CD Services

During the evaluation period, TCB funded a construction project in the Oak Cliff area of Dallas for a minority owned firm that primarily assists low-to-moderate income individuals to obtain affordable housing. TCB also recently financed the purchase and rehabilitation of an apartment complex in a low-income area in Oak Lawn.

Responses to Complaints

TCB has received no complaints during the evaluation period related to CRA issues or performance.

Fair Lending Review

An analysis of 2000-2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its 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.