



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 25, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Legend Bank, National Association
Charter Number 4265**

**101 West Tarrant Street
Bowie, TX 76201**

**Comptroller of the Currency
Adc - Dallas North
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.

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

- A good loan to deposit ratio of 62%;
- A substantial majority of Legend's loans, representing 93% of the number and 90% of the dollar volume sampled, originated within the assessment area;
- The distribution of borrowers reflects a good penetration among individuals of different income levels and businesses and farms of different sizes; and
- The geographic distribution of consumer, agricultural, and residential real estate loans reflects a good dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

Legend Bank National Association (Legend) is a wholly owned subsidiary of Legend Financial Corporation, a Delaware Corporation, which is wholly owned by Legend Bancorp, Inc., a single-bank holding company. Legend and its holding company officially changed names on June 6, 2001 from First National Bank of Bowie and First National Bowie Bancorp, respectively. Legend is a full service institution, with its primary sources of revenue coming from loans and banking services to consumers and commercial customers. Legends' banking offices, located in Bowie, Alvord, Nocona, Henrietta, and Decatur, include a drive-thru facility that provides extended weekday and Saturday hours. Also, customers are provided convenient 24-hour account access through online banking, 1st Response bank-by-phone and proprietary automated teller machines (ATMs) located at each banking office, with the exception of Alvord.

Per the FDIC's Market Share Report as of June 30, 2001, there are approximately 18 insured institutions with 40 banking offices located within the bank's assessment area. Of these 18 institutions, Legend holds the greatest percentage (19%) of the deposit market share, followed by First National Bank of Texas-Decatur and Wells Fargo Bank of Texas, both of which hold 12% of the market share. Legend's total assets as of December 31, 2001 were \$242 million, gross loans were \$152 million; and total deposits were \$217 million. A summary of the loan portfolio mix is as follows:

Loan Category	\$ (000)	%
Agriculture Loans	50,482	33%
Commercial & Industrial Loans	35,665	24%
Commercial Real Estate Loans	31,666	21%
Consumer Loans	19,648	13%
Residential Real Estate Loans	13,597	9%
Other Loans	524	<1%
Total		

The bank has no legal, financial, or other factors impeding its ability to meet the credit needs of its assessment area. The bank was rated "Satisfactory" in its previous CRA public evaluation dated May 7, 1997.

DESCRIPTION OF MONTAGUE, WISE, AND CLAY COUNTIES

Legend's assessment area is made up of 21 whole block numbering areas (BNAs) comprising all of Montague, Wise, and Clay counties as well as the northeast portion of Jack county, all located in Texas. The assessment area also includes two BNAs located in southern Jefferson county and one BNA in southern Love county, both counties located in Oklahoma. The assessment area meets regulatory guidelines and does not arbitrarily exclude low- or moderate-income areas. The following table reflects the demographics for the assessment area:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	20,574
Number of Households	27,012
<i>Geographies</i>	
Number of Census Tracts/BNA	21
# - % Low-Income Census Tracts/BNA	0 - 0%
# - % Moderate-Income Census Tracts/BNA	2 - 10%
# - % Middle-Income Census Tracts/BNA	14 - 67%
# - % Upper-Income Census Tracts/BNA	5 - 24%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	24,521
1998 HUD-Adjusted MFI	31,957
1999 HUD-Adjusted MFI	33,728
2000 HUD-Adjusted MFI	34,500
2001 HUD-Adjusted MFI	35,542
<i>Economic Indicators</i>	
Unemployment Rate	5.8
2001 Median Housing Value	42,357
% of Households Below Poverty Level	16.93%

Total occupied housing units for the assessment area is 81%, with owner-occupied housing at 64% and rental-occupied housing at 17%. Vacant housing units in the assessment area are at 19%.

Economic conditions are fairly stable. Most jobs are found in the service, retail and agriculture industries and establishments with less than 50 employees. Major employers, which employ at least 100 individuals, include the independent school districts, local hospitals and health care facilities, Wal Mart Supercenter, Poco Graphite, James Wood Motors, Imperial Fabrication Silvercreek, Inc., Nocona Athletic Goods, and Legend Bank.

Management has identified agricultural and small business lending as the primary credit needs within the bank's assessment area. The need for small business lending was emphasized by our community contact with a member of the Bowie Economic Development Committee (EDC). The EDC is actively trying to solicit companies to relocate or expand operations into the Bowie area. All three banks located in Bowie are represented on this committee and have committed to assisting the EDC with this endeavor. In addition to the EDC commitment, the bank has committed \$50 thousand to the "Main Street Bowie Low Interest Loan Program." Loan proceeds from this program will be used for façade restorations, to repair/replace existing roofs, plumbing and electrical systems to meet City building codes, and/or for interior renovations.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio of Legend Bank is good given the bank's size, financial condition, and the credit needs of the assessment area. The bank's quarterly LTD ratio averaged 62% since the prior CRA examination in May 1997. In comparison, the combined average LTD ratio of seven similar banks operating within the assessment area for the same time period was 61%. The quarterly average LTD ratio for each of the banks included in our comparison is listed below.

Institution	Average Assets (as of 09/30/01)	Average LTD Ratio
First National Bank of Byers	47,999	68.70
First National Bank of Texas	371,445	66.18
First State Bank Chico	55,348	62.81
First National Bank of St. Jo	27,248	61.42
First National Bank of Bridgeport	105,669	61.15
Jacksboro National Bank	83,025	55.18
First National Bank of Jacksboro	85,493	52.58
<i>Legend Bank, N.A.</i>	<i>227,280</i>	<i>62.10</i>

Lending in Assessment Area

A substantial majority of the bank's lending activity is within its assessment area. We reviewed a sample of 75 residential home purchase loans originated in 2000 and 2001. In addition, we reviewed 20 of each of the following loan types: consumer, agriculture and small business loans that originated from June 1997 through January 2002. This sample revealed that 93% of the number and 90% of the dollar volume of loans in our sample were extended within the bank's assessment area. The breakdown by loan category is illustrated in the following table.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	69	92	4,117	88	6	8	565	12
Consumer	18	90	136	92	2	10	12	8
Commercial	19	95	659	95	1	5	34	5
Agriculture	20	100	375	100	0	0	0	0
Total Reviewed	126	93	5,287	90	9	7	611	10

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

The distribution of loans within the assessment area reflects an overall good penetration among borrowers of different incomes and to businesses of different sizes. Our sample of loans in the

assessment area included 69 residential home mortgages totaling \$4,117 thousand and 20 consumer loans totaling \$160 thousand. As indicated in the table below, the distribution of residential mortgage loans to low-income borrowers is poor. However, this result is typical with residential real estate data, results are skewed toward middle- and upper- income borrowers. This is primarily due to the qualification requirements demanding larger income levels as well as significant closing costs and down payments, which many low-income individuals are unable to produce. In addition, according to bank management, because rental housing is of good quality and reasonably priced (average monthly rent is \$307) many residents prefer to rent or purchase mobile housing. Management also stated that the city applied for HOME Investment Partnership Program funds from the Texas Department of Housing and Community Affairs in which the bank committed to assist in providing financing. This was done in April 1997 and to date the bank has received no applicants under this program.

While home purchase loans to low-income families are lower than the demographics in the assessment area, consumer loans to low-income households exceeds the demographics. Also, both residential mortgages and consumer loans extended to moderate-income families are good given the assessment area demographics. Management stated that there is no policy on minimum loan amounts. Currently, the bank has loans on its books with original balances of less than \$500 and 15 or 75% of the consumer loans sampled had origination amounts less than \$10 thousand.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	18		16		20		46	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	4	1	12	4	33	25	51	70

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	22		15		17		46	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	35	22	30	32	20	17	15	29

The distribution of small business and small farm loans is good among businesses and farms of different sizes. Based on the 2001 Business Demographic Data, there are 3,412 business and 395 farms with reported revenues located within the assessment area. Of this number 94% of businesses and 98% of the farms reported revenues less than or equal to \$1 million. Our sample included 20 small business loans totaling \$669 thousand and 20 small farm loans totaling \$375 thousand. The tables below reflect the bank's lending distribution among large and small businesses and farms within the assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94	6
% of Bank Loans in AA #	85	15
% of Bank Loans in AA \$	75	25

Seventy percent (70%) of the 20 small business loans included in our sample had origination amounts less than \$26 thousand. Revenue information was not readily available for four of the loans sampled therefore the loan size was used as a proxy. These loans totaled \$53 thousand, or 8% of the total dollar volume sampled.

BORROWER DISTRIBUTION OF LOANS TO SMALL FARMS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms	98	2
% of Bank Loans in AA #	95	5
% of Bank Loans in AA \$	95	5

Eighty-five percent (85%) of the 20 farm loans included in our sample were extended to borrowers with reported revenues/income less than \$100 thousand; while, 65% of the sample had original loan amounts less than or equal to \$10 thousand.

Geographic Distribution of Loans

The distribution of loans reflects a good penetration of residential mortgage and consumer loans throughout the assessment area. The number and dollar volume of residential mortgage loans made to moderate-income BNAs shows excellent penetration in comparison to the percentage of owner-occupied housing units within the assessment area. Consumer loan penetration is also excellent when compared to the percent of households in the assessment area.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Owner Occupied	0		6		57		37	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	NA	NA	10	13	81	76	9	11

Residential RE loan sample included 69 loans totaling \$4,117 thousand.

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Households	0		6		59		35	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	NA	NA	10	13	85	83	5	4

Consumer loan sample included 20 loans totaling \$160 thousand.

The geographic distribution of loans to small businesses and farms is good. The number and

volume of loans extended to businesses and farms located within a moderate-income BNA is reflected in the following tables:

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0		4		60		36	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	NA	NA	5	4	80	88	15	8

Commercial business loan sample included 20 loans totaling \$669 thousand.

SMALL FARM LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Farms	0		11		50		39	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	NA	NA	20	28	75	71	5	1

Small farm loan sample included 20 loans totaling \$375 thousand.

Responses to Complaints

Legend Bank has not received any written complaints related to CRA performance since the prior CRA examination.

Fair Lending Review

An analysis of the prior four years 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.