



SMALL BANK

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

PUBLIC DISCLOSURE

January 21, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The National Bank of Daingerfield
Charter Number 4701**

**107 Webb Street
Daingerfield, TX 75638**

**Comptroller of the Currency
Longview Field Office
1800 West Loop 281, Suite 306
Longview, TX 75604-2516**

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 National Bank of Daingerfield has a satisfactory record of meeting community credit needs. This rating is based on the following:

- The bank's loan-to-deposit ratio is reasonable when compared to other area banks. The loan-to-deposit ratio averages approximately 68% since the last CRA exam.
- A majority of the bank's loans are extended within its assessment area.
- Credit availability is reasonably distributed to borrowers of different income levels.

DESCRIPTION OF INSTITUTION

National Bank of Daingerfield is a community bank with assets of \$73 million as of December 31, 2003. The bank is wholly owned by Daingerfield Holding Company and is located at 107 Webb Street in Daingerfield, Texas. The bank also has three branch offices in the following locations: 101 Broadnax, Daingerfield, Texas; 201 W. Main in Omaha, Texas; 215 S. Highway 259 in Ore City, Texas. Additionally, a drive-through facility is located at 1217 Linda Drive, Daingerfield, Texas. As of December 31, 2003, loans totaled \$52 million representing 71% of the bank's total assets. The following chart reflects the distribution of the bank's loan portfolio.

Loan Category	\$ (000)	%
Residential Real Estate Loans	20,309	38.80
Commercial Real Estate Loans	4,186	8.00
Commercial Loans	5,341	10.20
Agriculture Real Estate Loans	7,977	15.24
Agriculture Loans	4,344	8.30
Consumer Loans	10,188	19.46
Total	52,345	100.00%

There are no legal impediments or other factors which inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated July 19, 1999.

DESCRIPTION OF ASSESSMENT AREA

The Board has designated Morris County and census tract 9507 of Cass County, Texas as its assessment area. However, the bank recently amended the assessment area to include census tract 9501 of Upshur County, Texas with the opening of a new branch Ore City April, 2003. For

the purposes of this exam, we did not review performance in this area given its newness. There are no low or moderate-income tracts within the reviewed assessment area. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low and moderate-income geographies.

The following table provides a description of the bank’s assessment area based on census data and 2002 Department of Housing and Urban Development (HUD) information.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	5,218
Number of Households	6,976
<i>Geographies</i>	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	24,585
2000 HUD-Adjusted MFI	36,100
<i>Economic Indicators</i>	
Unemployment Rate	3%
2000 Median Housing Value	35,275
% of Households Below Poverty Level	23%

The bank’s designated assessment area has a total population of 18,211 based on 1990 census data. The distribution of families by income level, regardless of census tract location, consists of the following: 21.64% are low income, 17.92% are moderate income, 21.20% are middle income, and 39.25% are upper income. Major employers in the assessment include Lone Star Steel and two power plants for American Electric Power. Competition is strong with numerous banks, branches, and credit unions in the surrounding area. The local economy is considered stable.

Contact with a local representative of the Chamber of Commerce indicated the primary community credit needs for the assessment area are residential and consumer loans. She also noted the lack of housing available in the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

National Bank of Daingerfield's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 67.82% since the prior CRA examination July 19, 1999. The average loan-to-deposit ratio of banks with the assessment area, regardless of size, for the same time period, was 64.80%.

Institution	Assets (000s) (as of 9/30/03)	Average LTD Ratio
National Bank of Daingerfield	68,869	67.82
Morris County National Bank	72,025	62.99
First National Bank, Hughes Springs	142,401	66.30
Security State Bank, Ore City	43,007	66.08
Lone Star State Bank	30,382	75.90
First State Bank, Avinger	16,766	66.35
First National Bank, Linden	54,053	48.17

Lending in Assessment Area

A majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 23 residential purchase loans, 23 consumer loans, and 28 commercial loans originating since July 1999. The breakdown by loan category is illustrated in the following table.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	20	86.96	750	82.74	3	13.04	156	17.26
Consumer	20	86.96	214	82.59	3	13.04	45	17.41
Commercial	20	71.43	545	38.17	8	28.57	883	61.83
Total Reviewed	60	81.08	1,509	58.19	14	18.92	1,427	41.81

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

The distribution of loans within the assessment reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. National Bank of Daingerfield's primary product lines are residential, consumer, and commercial loans. Our sample of loans inside the assessment area included 20 residential loans totaling \$750M and 20 consumer loans totaling \$214M. The distribution of home purchase and consumer loans generally approximated the income characteristics of the assessment area. While our sample reflects no lending to low income borrowers for residential purposes, consumer loans to these borrowers is above average. Additionally, there is a lack of affordable housing available in the assessment area. The bank's distribution to moderate-income families more closely matches the

demographics of the assessment area.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families ¹	21.64		17.92		21.20		39.25	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	00	00	20.00	13.65	25.00	24.58	55.00	61.77

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households ²	28.07		14.05		16.86		41.02	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	45.00	39.92	20.00	21.08	10.00	11.99	25.00	27.00

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. Based on U.S. Census information, there are 575 businesses in the assessment area with revenues less than \$1 million. This number represents 93.65% of all businesses within the assessment area. Our sample of commercial loans inside the assessment area included 20 loans totaling \$545M. The distribution of commercial loans generally approximates the income characteristics of the assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses ³	93.65	6.35
% of Bank Loans in AA #	90.00	10.00
% of Bank Loans in AA \$	78.09	21.91

Geographic Distribution of Loans

A geographic analysis of lending activity within the bank's assessment was not performed. There are no low or moderate-income geographies located in the bank's assessment area and, therefore, an analysis would not be meaningful.

Responses to Complaints

Management has not received any written complaints related to CRA performance since the prior CRA examination dated July 19, 1999.

Fair Lending or Other Illegal Credit Practices Review

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