



COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION
PUBLIC DISCLOSURE

Landmark Bank

437156 / 11482639

150 Westpark Way, Suite 130
Eules, Texas 76040

As of
February 8, 1999

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.

Federal Reserve Bank of Dallas

P. O. Box 655906, Dallas, Texas 75265-5906

CRA PERFORMANCE ASSESSMENT

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Landmark Bank, Euless, Texas**, prepared by **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of **February 8, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

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

The bank's loan-to-deposit ratio is adequate given the institution's size and assessment area credit needs. The institution's record of lending within the assessment area is considered reasonable, as 88% on a number and dollar basis of the consumer and commercial loans sampled were originated inside the assessment area. Additionally, analysis of the Home Mortgage Disclosure Act (HMDA) report of loans showed that approximately 82% of these loans were made to borrowers inside the bank's assessment area. The distribution of unsecured consumer loans throughout the assessment area by borrower income revealed an outstanding distribution of credit as 40% were made to low- and moderate-income borrowers compared to the 38% figure of low- and moderate income families residing in the assessment area. Analysis of the commercial loan sample revealed that only 33% of these loans were made to businesses with gross revenues of \$1 million or less and 87% were made to businesses for amounts of \$100 thousand or less. The geographic dispersion within the assessment area of the commercial, consumer, and HMDA loans sampled showed that 13% of the commercial and consumer loans were made in low- and moderate-income census tracts and only 1.8% of the 1997 and preliminary 1998 HMDA loans were made in a moderate-income census tract. At the last CRA examination conducted as of August 25, 1997, Landmark Bank received a satisfactory rating.

DESCRIPTION OF INSTITUTION

Landmark Bank, Euless, Texas (Landmark) is a wholly owned subsidiary of Landmark Bancshares, Euless, Texas, a shell one bank holding company which is based at the bank's main office. The bank operates two full service branches in the cities of Colleyville, Texas, at 4607 Colleyville Blvd, and in southwest Fort Worth, Texas, at 6000 Harris Parkway. The main office and the Fort Worth branch are located in middle-income census tracts, while the Colleyville branch is located in an upper-income census tract. The institution promotes economic development in the community by offering products and services consistent with its size and financial capacity. Landmark offers various deposit and loan products, automated teller machine services, motor bank facilities, and convenient banking hours at all locations.

As of September 30, 1998, the bank reported total assets of \$112.4 million. Net loans represented 68.2% of total deposits as of the same date. As shown in the following chart, the bank's primary lending focus continues to be in interim construction and commercial real estate loans totaling \$30.6 million and account for 42.3% of the loan portfolio. Commercial/Industrial loans also represent a significant loan product at \$26.5 million or 36.6% of the bank's loan portfolio. Consumer lending is also considered a major product based on the total number of consumer loans booked in 1998.

September 30, 1998		
Loan Type	Dollar Amount (Thousands)	Percent of Gross Loans
Real Estate		
Construction	16,338	22.59%
Residential	4,062	5.62%
Commercial	14,257	19.71%
Multifamily	410	0.57%
Total Real Estate	35,117	48.49%
Commercial / Industrial	26,492	36.63%
Consumer		
Open-end credit	243	0.34%
All other	10,503	14.42%
Other	24	0.03%
Gross Loans	72,329	100.00%

Overall, the bank's ability to meet various community credit needs has not been hampered by its capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, or the lending opportunities available in the institution's assessment area. Economic conditions have been very favorable in Tarrant County since the last examination. Contacts in the community indicated that the area is continuing to experience high residential and commercial growth. They also stated that the credit needs of the community appear to be adequately met by the many financial institutions in the community.

DESCRIPTION OF ASSESSMENT AREA

The bank has identified its assessment area as Tarrant County, which is part of the Fort Worth-Arlington Primary Metropolitan Statistical Area (PMSA). The Fort Worth-Arlington-PMSA (FW-A PMSA) also includes Hood, Johnson, and Parker counties located southwest of Tarrant County. Tarrant County is an urban county located in the north central part of Texas and includes several cities. Fort Worth serves as the county seat to the county's population of approximately 1.3 million¹ citizens. Tarrant County is among the fastest growing of the nation's major metropolitan counties today with a growth rate of 9.4% and is the 26th most populous county in the United States. Tarrant County's population grew nearly twice as fast as that of Dallas County between 1990 and 1996 and is leading the regional resurgence in business relocations and expansions, retail development and new housing construction. Tarrant county's commercial and industrial airports are among the country's foremost international gateways. Cattle and agriculture, as well as aerospace companies and defense contractors, play a major role in the county's economic foundation. The county's western heritage sits side by side with its internationally renowned cultural district. The FW-A PMSA is part of the Dallas-Fort Worth Consolidated Metropolitan Statistical Area (CMSA) having a combined 1998 estimated population of 4.7 million.

The main bank in Euless and the branch in Colleyville lie in the northeast portion of Tarrant County and are approximately 16 and 14 miles, respectively, northeast of Fort Worth, Texas near the Dallas/Forth Worth International Airport. The branch in Fort Worth (known as Mira Vista) is located in the southwest portion of the city and the county. Euless is part of the Hurst, Euless, and Bedford area, which are collectively referred to as "HEB" due to their contiguous location and similar economic and demographic characteristics.

Various information, including population, race, household composition, education, employment and income statistics are available from the Census Bureau for each metropolitan statistical area. Based upon the 1990 United States Census, the population of Tarrant County was 1.2 million. Based upon Chamber of Commerce current statistics, the population in Euless and Colleyville is 42,900 and 17,400, respectively. According to 1990 Census data, the labor force totals 641,221 and the unemployment rate is 5.7%. The unemployment in Tarrant county is lower than the state's 7.0%. Some of the major employers in the HEB and Colleyville area include Bell Helicopter, Textron, American Airlines, HEB-ISD, Sky Chefs, Harris Methodist Hospital-HEB, North East Mall, and Bank One.

According to the 1990 census data, the bank's assessment area is comprised of 269 census tracts. Of these census tracts, 28 are considered low-income, 66 are moderate-income, 92 are middle-income, and 83 are upper-income. While 31.2% of the assessment area's population lives in the low-or moderate-income census tracts, approximately 53% of the households are considered low- or moderate-income. Refer to chart in section titled Distribution of Census Tracts within Assessment Area by Income Level for population living in income categories.

The 1990 Census median family income (MFI) for the assessment area was \$38,279, in comparison to the state's MFI of \$31,553. Approximately 8% of the families living in the assessment area are below the poverty level while approximately 14% of the state are below the poverty line. The Department of Housing and Urban Development (HUD) updates the MFI on an annual-basis and reports the 1998 FW-A PMSA MFI at \$55,300, which is 22% higher than the state's median family income of \$45,300. For

CRA purposes, borrower income information is based upon this updated figure. (Refer to the Income category in the Lending to Borrowers of Different Incomes and to Businesses of Different Sizes chart.) Analysis of the

¹ Per information on Tarrant County's Web Site.

1990 Census data indicates a fairly strong housing market based upon the low 10.7% vacancy rate compare to the state's 13.4%. The median housing value of \$72,306 and median gross rent of \$430 exceed the comparable state figures. Additionally, 51.9% of the homes are owner-occupied and 37.4% are rental units, in comparison to 52.7% and 33.9%, respectively, for the state. The median housing stock age for the county was 23 years in comparison to the state's 20 years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The loan sample used in the CRA performance evaluation was comprised of 46 unsecured consumer loans and 35 commercial vehicle loans extended during the seven-month period from June through December 1998. The sample also included all Home Mortgage Disclosure Act (HMDA) loans reported in 1997 and preliminary 1998 HMDA information.

LOAN TO DEPOSIT RATIO

The bank's loan to deposit (LTD) ratio is considered reasonable given the bank's size, financial condition, and performance context, which includes the bank's and other similarly situated institutions capacity to lend in the assessment area, demographic and economic factors, and lending opportunities available in the institution's assessment area.

As of September 30, 1998, Landmark's net loans represented 68.2% of total deposits. The national peer ratio for the same period was 71.0%. The bank's quarterly average LTD ratio since the last consumer affairs examination is 67.6%. In order to obtain a more meaningful comparison and to more accurately assess the bank's performance; a loan-to-deposit ratio analysis was conducted on similarly situated financial institutions in the bank's trade market area. There are twenty-three independent banks within Tarrant County. Of these, there are four are banks of which Landmark considers to be its primary competitors. Total assets of one of the banks are significantly larger and the other three are smaller. As of September 30, 1998, the four banks had quarterly average LTD ratios ranging from 54.5% to 75.9% for an average of 65.4%. Landmark's LTD ratio is comparable to this average. Given this information and the credit needs of the assessment area, the bank's loan-to-deposit ratio is considered to be reasonable and meets the standards for satisfactory performance.

LENDING IN ASSESSMENT AREA

The institution's performance demonstrates a good response to the credit needs of its assessment area (AA), as a substantial majority of the loans sampled were to borrowers residing inside the bank's AA. A summary analysis by specific loan product on both a number and dollar-basis are presented below:

Loan Type	# of Loans in Sample	\$ Amount of Loans in Sample	# of Loans Inside AA	% Inside AA	\$ Amount of Loans in AA	% Inside AA
Unsecured Consumer / Installment	46	\$1,069,114	40	87%	\$873,817	82%
Commercial Vehicles	35	\$1,460,581	31	89%	\$1,351,987	93%
Home Improvement	42	\$1,263,000	38	90%	\$1,150,000	91%
Home Purchase	13	\$1,846,000	10	77%	\$1,600,000	87%
Refinancing	12	\$1,100,000	7	58%	\$447,000	41%
Total	148	\$6,738,695	126	85%	\$5,422,804	80%

Overall, 85% on a number-basis and 80% on a dollar-basis of the loans reviewed were made inside Landmark's

AA. Lending to borrowers inside the assessment area has improved since the last consumer affairs examination illustrating the bank's commitment to lending within its AA. The bank's performance in lending inside its AA is satisfactory.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

Landmark's distribution of loans and record of lending to low- and moderate-income persons for unsecured consumer loans in its assessment area by borrower income is commendable. The distribution of mortgage loans and commercial loans by gross revenue data reflects a good response to the credit needs of the community considering the institution's resources, geographical make-up, and business strategy. The bank's overall performance in lending to borrowers of different incomes and to business of different sizes is considered to be reasonable and meets the standards for satisfactory performance.

The consumer and mortgage loan analysis consisted of analyzing borrower income as a percentage of the FW-A PMSA median family income. The following chart details income limits based on the 1998 HUD adjusted median family income for low, moderate, middle, and upper income individuals.

Fort Worth-Arlington PMSA #2800 1998 HUD ADJUSTED MEDIAN FAMILY INCOME \$55,300		
Income Category	Income Range as a Percent of Median	Income Range as a Dollar Amount
Low-Income	0 – 49%	0 - \$27,650
Moderate-Income	50% - 79%	\$27,650 - \$44,240
Middle-Income	80% - 119%	\$44,240 - \$66,360
Upper-Income	120% and over	\$66,360 and over

Based on 1990 census information, there are approximately 439 thousand households residing in the assessment area, of which 309 thousand or 70% are families (as defined by the US Census Bureau). Since the family-based numbers exclude 30% of the assessment area's population, the population demographics in this analysis will reference household-based numbers. The assessment areas is comprised of 21 percent low income households with 10% living below poverty level, 17 percent moderate income, 21 percent middle income, and 41 percent upper income households. The bank's penetration among the various income categories, are summarized on the following tables:

Unsecured Consumer / Installment Loan Sample in AA Analysis by Borrower Income Level				
Income Category	# of Loans by Borrower Income	% of Loan Sample	\$ Amount of Loans	% of Loan Sample
Low-Income	8	23%	\$39,080	4%
Moderate-Income	6	17%	\$30,367	4%
Middle-Income	6	17%	\$41,530	5%
Upper-Income	15	43%	\$724,480	87%
Total *	35	100%	\$835,457	100%

* Excludes 5 consumer loans where the bank did not collect income information.

1997 HMDA Loan Sample in AA Analysis by Borrower Income Level				
Income Category	# of Loans by Borrower Income	% of Loan Sample	\$ Amount of Loans	% of Loan Sample
Low-Income	2	6%	\$57,000	2%
Moderate-Income	3	9%	\$36,000	1%
Middle-Income	6	18%	\$242,000	10%
Upper-Income	23	67%	\$2,149,000	87%
Total *	34	100%	\$2,484,000	100%

* Excludes 7 loans made outside of the bank's AA.

1998 HMDA (PRELIMINARY) Loan Sample in AA Analysis by Borrower Income Level				
Income Category	# of Loans by Borrower Income	% of Loan Sample	\$ Amount of Loans	% of Loan Sample
Low-Income	0	0%	\$0	0%
Moderate-Income	0	0%	\$0	0%
Middle-Income	2	10%	\$33,000	5%
Upper-Income	19	90%	\$680,000	95%
Total *	21	100%	\$713,000	100%

* Excludes 5 loans made outside of the bank's AA.

Analysis of the unsecured consumer loan sample indicates that 40% of the number of loans and 8% of the dollar amount of loans were made to low- and moderate-income individuals. This level of lending exceeds the 38% figure of low- and moderate-income families living in the AA as provided in the 1990 census data. The 1997 HMDA and 1998 HMDA data does not reflect as good of a picture with only 15% of the number of loans being made to low- moderate-income individuals in 1997 and none in 1998. Consideration in this HMDA analysis is the fact that Residential Mortgages are not considered to be a major product line representing less than 6% of the loan portfolio as of September 30, 1998.

In the commercial auto loan sample, annual gross revenue was available on 18 or 58% of the 31 commercial auto loans made within the assessment area. Of these loans, only 6 or 33% were to small businesses with annual gross revenue of \$100 thousand or less. The distribution profiled in the following tables demonstrates the bank's willingness to serve small business operations:

COMMERCIAL AUTO LOAN SAMPLE IN AA BY GROSS REVENUE				
NUMBER OF LOANS		GROSS REVENUES (GR)	DOLLAR AMOUNT	
# OF LOANS BY GROSS REVENUE	% OF TOTAL LOANS		LOANS BY GROSS REVENUE	% OF TOTAL LOANS
6	33%	GR < \$1MM	\$194,264	20%
12	67%	GR > \$1MM	\$765,347	80%
18	100%	Total	\$959,611	100%

* Excludes 5 loans sampled and in AA area in which the bank used borrower income instead of business revenue and 8 loans where the bank did not collect revenue data.

The following table shows that of the 23² commercial auto loans made to businesses inside the AA, 20 or 87% were made for amounts of \$100 thousand or less. Of the 20 loans, 16 or 70% were for amounts of \$25 thousand or less. While auto loans are typically for amounts less than \$100 thousand, the smaller loan amounts show a willingness and effort to help meet the community credit needs for smaller dollar loans.

COMMERCIAL AUTO LOAN SAMPLE in AA		
LOAN AMOUNTS	# OF LOANS	% OF TOTAL
\$100,000 or less	20	87%
More than \$100,000 but < or = to \$250,000	2	9%
Greater than \$250,000 but < \$1 million	1	4%
Total	23	100%

Overall, the bank's penetration among individuals of different income levels and business's of different sizes is considered satisfactory.

GEOGRAPHIC DISTRIBUTION OF LOANS

Review of the Landmark's unsecured consumer, commercial auto, and HMDA loans in the assessment area consisted of analyzing the bank's dispersion among the various census tract income categories in comparison to the distribution of census tracts by income level and the distribution of the population residing in Tarrant County.

The following table depicts the distribution of the 269 census tracts (CT's) based on 1990 census data, comprising the bank's AA by income level categories:

Distribution of Census Tracts (CT's) Within Tarrant County by Income Level (Based on 1990 Census Data)				
Income Category	# of CT's	% of Total CT's	Total Population Living in CT's	% of Total Population
Low-Income	28	10%	67,100	6%
Moderate-Income	66	25%	298,527	25%
Middle-Income	92	34%	429,646	37%
Upper-Income	83	31%	374,830	32%
Total	269	100.0%	1,170,103	100.0%

The distribution of the CT's and the population by CT income category in the county appear to be fairly proportionate between the percentages of CT's per income category and the population residing in them. These demographics indicate that 35% of the census tracts in the assessment area are low or moderate-income tracts and that 32% of the population live in these tracts. The majority of the CT's in the AA are middle- and upper- income CT's and the majority of the population resides in these CT's.

The chart below shows that of the loans sampled, none of the unsecured consumer loans and 10% of the commercial auto loans were made to people in low-income geographies and 13% of unsecured consumer and 3% of commercial auto loans were made to people in moderate-income geographies.

Loan Sample by Census Tract (CT) within the AA

² Includes 5 loans in which the bank used borrower income instead of business revenue.

Income Category	Unsecured Consumer Loans		Commercial Auto Loans	
	# of Loans in CT Income Category	% of Loan Sample by Loan Type	# of Loans in CT Income Category	% of Loan Sample by Loan Type
Low-Income	0	0%	3	10%
Moderate-Income	5	13%	1	3%
Middle-Income	14	35%	12	40%
Upper-Income	21	52%	14	47%
Total	40	100%	30	100%

The following chart shows that none of the 1997 and 1998 HMDA loans were made to people in low-income geographies and that 3% of the 1997 and none of the 1998 HMDA loans were made to people in moderate-income geographies.

Loan Sample by Census Tract (CT) within the AA				
Income Category	1997 HMDA Loans		1998 Preliminary HMDA data	
	# of Loans in CT Income Category	% of Loan Sample by Loan Type	# of Loans in CT Income Category	% of Loan Sample by Loan Type
Low-Income	0	0%	0	0%
Moderate-Income	1	3%	0	0%
Middle-Income	6	18%	10	48%
Upper-Income	27	79%	11	52%
Total	34	100%	21	100%

Although this geographical lending pattern appears disproportionate, it is considered reasonable given that the majority of the population lives in the middle or upper income census tracts and the fact that no apparent gaps were noted in the bank's lending dispersion throughout the assessment area. As reflected in the first chart of this section, 68% of the population lives in the middle- and upper-income tracts.

RESPONSE TO COMPLAINTS

The institution has not received any written complaints about its CRA performance since the last examination.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS (ECOA, FHA, OR HMDA)

No substantive violations involving illegal discrimination or discouragement were noted during the examination.