

PUBLIC DISCLOSURE

April 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**BankDallas, SSB
Certificate Number: 34365**

**3802 Oak Lawn Avenue
Post Office Box 190349
Dallas, Texas 75219-4614**

Federal Deposit Insurance Corporation

**Division of Compliance and Consumer Affairs
1910 Pacific Avenue, 20th Floor
Dallas, Texas 75201**

NOTE: 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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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 **BankDallas, SSB**, prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **April 19, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

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

The rating for this bank is based upon the following factors:

- The bank's loan-to-deposit ratio has shown steady growth since the bank's inception and is notably higher than most of its peers. The ratio demonstrates a willingness to meet community credit needs through the generation of loans.
- A majority of the sampled loans were originated within the assessment area.
- The bank's lending to businesses of different sizes is satisfactory. Seventy-four percent of the sampled loans were to businesses with gross annual revenues less than \$1 million. This compares favorably to the number of businesses of this size in the assessment area.
- The bank's distribution of loans throughout its assessment area is satisfactory. Performance in moderate-income tracts is particularly noteworthy.

DESCRIPTION OF INSTITUTION

BankDallas, SSB, is a small, one-office, commercial institution located at Oak Lawn Avenue and Blackburn Street near downtown Dallas, Texas. The bank was established June 9, 1997. Lobby hours are from 9:00 a.m. through 3:00 p.m. with extended hours on Friday. Drive-in hours are from 8:00 a.m. to 6:00 p.m. Monday through Friday. The bank has no weekend hours and no automated teller machine (ATM), although ATM cards are available. The bank does not charge for transactions conducted at non-proprietary ATMs. A variety of consumer and commercial deposit products are available. Commercial loan customers are offered a cash management product called Business Manager, a system for purchasing and managing accounts receivable and improving cash flow. The bank has a purely informational Internet web-site. PC Banking is not available at this time but is under consideration.

The following table illustrates the loan mix as of December 31, 1998.

<i>Loan Category</i>	<i>Number of Loans</i>	<i>Percentage</i>	<i>Amount (\$000)</i>	<i>Percentage</i>
Construction/Land Development	34	11%	5,687	26%
1-4 Family Residential	21	7%	3,161	15%
Commercial Real Estate	14	5%	3,508	16%
Other Real Estate	6	2%	978	4%
Loans to Individuals	108	36%	1,917	9%
Commercial/Industrial Loans	96	32%	6,507	30%
Other	21	7%	29	<1%
Total	300	100%	21,787	100%

The institution is primarily a commercial lender as evidenced by a construction/land development and commercial-purpose lending level of 72 percent by dollar volume as of year-end 1998. In addition to the commercial/industrial loans and the commercial real estate, a number of the construction mortgages are generated to business borrowers. The loan policy sets the minimum consumer loan amount as \$1,500, although at least two loans for \$1,000 or less are currently on the books.

There are no legal, financial, or regulatory impediments preventing the bank from meeting the credit needs of the community.

The major asset components as of the December 31, 1998, Report of Condition and Income are listed below.

<i>Asset Category</i>	<i>Amount (\$000)</i>	<i>Percentage of Total Assets</i>
Cash & Due From Balances	1,261	4%
Securities	3,003	10%
Net Loans	21,548	72%
Federal Funds Sold	3,365	11%
Premises and Other Assets	744	3%
Total	29,921	100%

DESCRIPTION OF ASSESSMENT AREA

BankDallas, SSB, is located in the Dallas Metropolitan Statistical Area and has defined its assessment area as all of Dallas and Collin Counties. Dallas and Collin Counties are comprised of 415 and 48 census tracts, respectively. Of the 463 census tracts, 64 are designated low-income and 118 are moderate-income tracts, representing 39 percent of the assessment area. The substantial number of census tracts precludes a listing of tracts in this evaluation.

According to industry data as of July 1998, 34 percent of the business establishments within the assessment area are in the low- and moderate-income census tracts. Businesses with gross annual revenues less than \$1 million represent 86 percent of the assessment area establishments; these entities are defined as small businesses. Services, retail trade, and financial/insurance/real estate are the 3 major industries in the assessment area, representing 72 percent of establishments.

Both counties have experienced considerable population growth in recent years. According to the North Central Texas Council of Governments Research and Information Services, Dallas County exceeded two million persons in 1998 and became one of only two Texas counties to reach this mark. Collin County outranked all other counties in the state in population growth and grew by more than seven percent for two consecutive years. Overall, average annual population growth has surpassed the level experienced during the boom years of the 1980's. Employment statistics from the Texas Workforce Commission show the Dallas County labor force totaled more than 1.2 million and the unemployment rate was 3.6 percent at the end of 1998. Collin County claimed a labor force of more than 250,000 and enjoyed a low unemployment rate of 2.1 percent. Increased loan demand and greater opportunities for lenders should follow on the heels of ongoing population growth and low unemployment.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

SAMPLING INFORMATION

Commercial lending is the primary focus of the bank, as noted previously. Commercial/industrial and commercial real estate loans constitute 46 percent of the portfolio. Accordingly, the loan sample was chosen from these two loan types to accurately determine the bank's current level of performance. From 91 such loans totaling \$9,977,244 and originated since January 1, 1998, a random selection of 35 loans with a dollar value of \$4,780,832 was made.

LOAN-TO-DEPOSIT RATIO

One measure of a bank's lending activity is its loan-to-deposit ratio (LTD), which compares the volume of loans originated to the volume of deposits held. As of December 31, 1998, the bank's ratio was 82.28 percent, quite high for a Dallas metropolitan financial institution.

Following is a summary of LTD ratios for the subject bank and four area banks that serve similar communities and offer similar lending products. To make the comparison more meaningful, the level of commercial lending was also taken into consideration when selecting the peer banks. All of the peer banks are in Dallas County. The data are derived from the December 31, 1998 Consolidated Reports of Condition and Income. The banks are listed in alphabetical order and no ranking is expressed or implied.

<i>Institution</i>	<i>Total Assets (\$000)</i>	<i>Total Deposits (\$000)</i>	<i>Net Loans (\$000)</i>	<i>LTD Ratio</i>
<i>BankDallas, SSB</i>	29,921	26,188	21,548	82.28%
Brookhollow National Bank, Richardson	20,040	18,392	12,163	66.13%
First Citizens Bank, NA, Dallas	25,910	22,463	11,335	50.46%
Preston National Bank, Dallas	33,479	29,748	24,441	82.16%
Signature Bank, Dallas	33,576	30,330	16,428	54.16%

As the table illustrates, the bank's loan-to-deposit ratio is notably higher than most of the peer banks, as well as the Texas average for banks with assets less than \$50 million, 52.08 percent. The average loan-to-deposit ratios for the above banks for the prior six quarters range from 55.39 percent to 77.73 percent. BankDallas' average ratio is 72.63 percent. During its first six months of operation, the bank's ratio rose dramatically from an initial 52.53 percent to 101.73 percent. Deposits experienced a sharp increase during the third quarter of operation with a corresponding decrease in the loan-to-deposit ratio to 55.54 percent. Since then, the ratio has increased steadily.

The bank's level of lending indicates it is meeting the credit needs of the community that it serves through origination of credit. The bank's performance exhibits exemplary achievement under this criteria.

LENDING IN THE ASSESSMENT AREA

Analyses of the commercial loan sample revealed that a majority of loans are originated within the assessment area. The 35 loans sampled had a dollar volume of \$4,780,832. Ninety-four percent by number of loans and ninety-seven percent by dollar volume originated within the bank's assessment area. The large size of the assessment area virtually ensures that the majority of loans will fall within its boundaries. The bank's performance meets the criteria for satisfactory performance.

LENDING TO BORROWERS OF DIFFERENT INCOME AND BUSINESSES OF DIFFERENT SIZES

Of the 35 commercial loans sampled, the 33 loans originated in the assessment area were grouped according to the gross annual revenues of the borrowers. The average loan amount is \$141,140.

The table below illustrates the bank's lending to businesses of different sizes.

COMMERCIAL LOANS				
GROSS REVENUE	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Less than \$100,000	6	18	469,372	10
\$100,000 to \$250,000	3	10	287,650	6
\$250,001 to \$500,000	7	21	1,609,900	35
\$500,001 to \$1,000,000	8	24	1,062,885	23
Over \$1,000,000	9	27	1,227,833	26
TOTALS	33	100	4,657,640	100

Seventy-four percent of the dollar volume and 73 percent of the number of loans are to businesses with gross annual revenues less than \$1 million. This compares reasonably well with the 86 percent of establishments in the assessment area with revenues less than \$1 million and demonstrates the bank's commitment to meeting the needs of small business borrowers. The bank's lending to businesses with revenues less than \$500,000, by dollar volume and number of loans, is 51 percent and 49 percent, respectively. Businesses with revenues less than \$500,000 represent 78 percent of establishments in the assessment area. The analysis indicates that the bank's performance meets the criteria for satisfactory performance.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's geographic distribution of loans throughout its assessment area is satisfactory. The combined lending activity in low- and moderate-income census tracts is comparable to the population size, number of businesses, and number of tracts located in low- and moderate-income areas. The analysis indicates that the bank is lending to all income levels within the assessment area.

The following table illustrates the distribution of the sampled commercial loans among the various income levels within the assessment area.

<i>Tract Level</i>	<i>Population in AA*</i>	<i>Tracts in AA*</i>	<i>Businesses in AA**</i>	<i>Bank Loans (\$)</i>	<i>Bank Loans (#)</i>
Low-income	9%	14%	8%	3%	6%
Moderate-income	25%	25%	26%	34%	27%
Middle-income	37%	31%	33%	9%	15%
Upper-income	29%	30%	33%	54%	52%
Total	100%	100%	100%	100%	100%

*Tract income levels, population, and tracts in the assessment area (AA) data are based on the 1990 Census.

**Businesses in the assessment area are based on July 1998 Dun & Bradstreet data.

Although lending in low-income tracts is somewhat low, lending in moderate-income tracts, particularly by dollar amount, is noteworthy. Despite the very large size of the assessment area, BankDallas, SSB, has made a commitment to lending to borrowers in low- and moderate-income tracts.

RESPONSE TO COMPLAINTS

No consumer complaints relative to the bank's performance under the Community Reinvestment Act have been filed since the bank opened in June 1997.

FAIR LENDING

No violations of the substantive provisions of anti-discrimination laws and regulations were identified. Lending activities revealed no discriminatory or illegal practices.

GLOSSARY

Area Median Income: (1) The median family income (MFI) for the MSA, if a person or geography is located in an MSA; or (2) The statewide non-metropolitan MFI income, if a person or geography is located outside the MSA.

Assessment Area: A geographic area delineated by the bank in accordance with the requirements of the Community Reinvestment Act.

Census Tract: A small locally demarcated area, usually in a metropolitan neighborhood, defined by the decennial census to generally consist of stable boundaries and an average population of 4,000.

Geography: A census tract or block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Low-Income: Individuals and geographies having a median family income less than 50 percent of the area median income.

Median Family Income (MFI) - is derived from the 1990 U.S. Census data or estimated annually by the Department of Housing and Urban Development.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Moderate-Income: Individuals and geographies having a median family income of at least 50 percent and less than 80 percent of the area median income.

Middle-Income: Individuals and geographies with a median family income of at least 80 percent and less than 120 percent of the area median income.

Upper-Income: Individuals and geographies with a median family income of 120 percent or more of the area median income.